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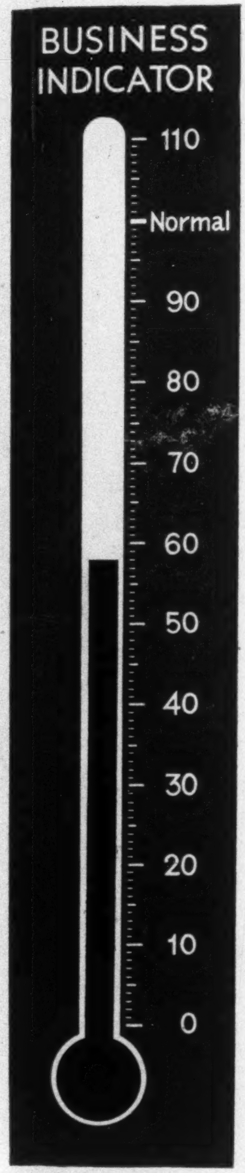
THE BUSINESS WEEK:



So far this month there has been no marked change for the worse in the picture of production and trade as a whole . . . . Most measures of business activity, as distinguished from security market and financial sentiment, have in fact made a bit better showing in the first half of May than in the last half of April and seem to be reaching some sort of stabilization basis . . . . Steel production shows a slow but steady unseasonal rise which reflects moderately increasing automobile output and is expected to continue well into the summer . . . . Building contracts have improved so far in May contrary to seasonal expectations, due solely to public construction which now exceeds private and has become the main reliance of the industry . . . . Check payments continue the rising trend they have shown since February, and most other indicators are fairly steady . . . . Federal Reserve policy has checked the decline in bank deposits, built up reserves and reduced member bank borrowing, but has not yet been effective in initiating active credit expansion . . . . Continued weakness of the bond market in spite of record low rates for short-term government financing reflects the blue funk in banking circles arising from increasing uncertainty about Congressional action on revenue and relief measures and on recess or adjournment . . . . The movement for public capital investment projects gains momentum as April employment figures show a precipitous collapse and as absence of private investment initiative or bank credit expansion evidences increasing paralysis of the normal processes of recovery.

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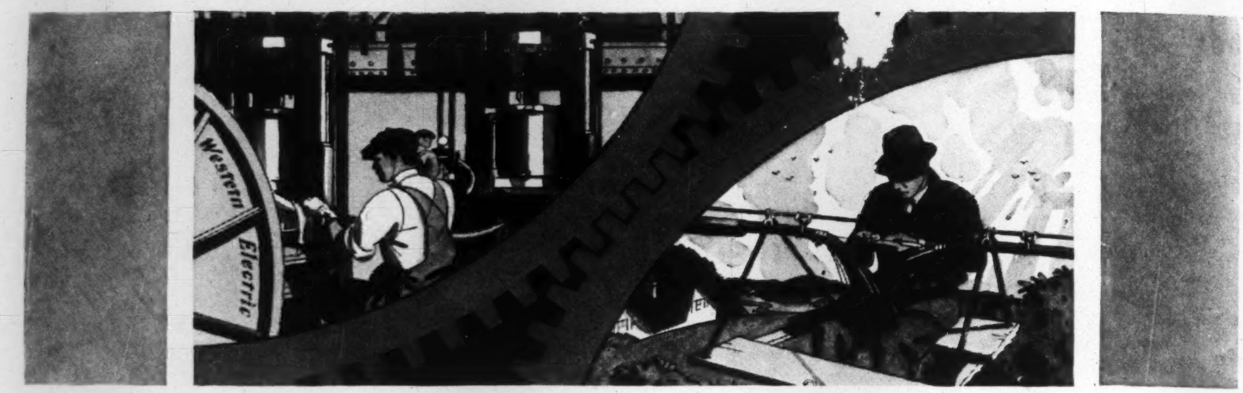

Western Electric makes the cable and delivers it direct to the telephone companies to be used in your service

With gears in close mesh

Facts About
Western Electric
Purchasers, Manufacturers, Distributors for the Bell System

Lost motion is reduced to a minimum by close meshing of gears. This fact, a commonplace in engineering, offers many interesting possibilities for the industrial machine.

In the Bell System, Western Electric's function of manufacture and supply is closely geared to the needs of the telephone companies. Its work is laid out in advance to conform to the System's plans for telephone development. And because Western Electric's customers—the telephone companies—are also members of the System, close cooperation and accurate scheduling are possible.

As maker of Bell Telephone apparatus since 1882, Western Electric has done much to insure the uniformly high standard of quality so necessary for efficient and reliable telephone service. From its three factories, Western Electric ships telephones, cable, switchboards, and telephone equipment of many kinds.

Yet, important as this manufacturing is, it is only one phase of Western Electric's service to the Bell System. Purchasing and distributing supplies and telephone apparatus are its two other broad duties. To make telephone supplies available where and when needed, Western Electric operates a nationwide distributing organization—an industry in itself.

This makes equipment readily available, in normal times or in emergencies, to all Bell System companies; and aids them in rendering a constantly improving service to the telephone using public.

● *AMERICAN TELEPHONE AND TELEGRAPH COMPANY* ●

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This Business Week:

Washington

There's going to be a relief loan; the question is, how and how much. Before it adjourns, Congress seems sure to provide for a bond issue for a construction finance program, loans to states, direct federal relief. *(p. 5)*

Foreign

The Lausanne Conference, to paraphrase Bruening of Germany, will be one of two things: a milestone on the road to recovery, or a millstone around the neck of Europe. So much depends on the outcome. So little hope is there of anything but the same old reversion to nationalism. *(p. 7)*

Peru is aroused at the talk of a tariff on copper here; Chile is concerned over nitrate. Washington worries lest Latin America respond to a tariff with a boycott. *(p. 24)*

On the eve of Lausanne, Europe finds itself on the brink of disaster, with Austria facing default or starvation, Germany due for a civil-military dictatorship. Cables say, "Watch Austria." *(p. 28)*

Marketing

Good times and bad, the amount we spend for food remains about the same; it's what and how much we eat that varies. Part 5 of The American Consumer Market also reveals that all the calory and vitamin talk hasn't traceably changed our eating habits as a nation. *(p. 18)*

A new way of packing nuts which prevents spoilage opens up mass-marketing opportunities. *(p. 9)* When inter-dependence fails, independence rises: "Buy at Home" is just "Buy British" and "Buy American" gone local. *(p. 9)* Retailers are more sensitive to the "wholesale" price racket these days. *(p. 10)*

Wrigley dealers now sell (or use) premium handkerchiefs made from the cotton the company bought in the South. Wrigley policies continue unchanged. *(p. 10)*

Percentage leases, increasingly used because they adjust rent to business conditions, now seek standards which will be fair to storekeepers and landlords alike. *(p. 11)*

Auotmobile dealers would be glad if manufacturers would cut down on the number of models, concentrate on the most popular. *(p. 12)*

Finance

Bank reopenings have exceeded closings during the past month. More are due. How the various plans for reorganization are worked out. *(p. 13)*

The Glass-Steagall Act has been put to work, enabling the Reserve to maintain the existing volume of notes without sacrificing open-market operations or wasting gold backing. *(p. 14)*

Average monthly postal savings deposits show a decline, due more to the forced use of savings than to transfer to other banks. *(p. 13)* Automobile finance companies did better than expected, last year. *(p. 13)*

Production

The Supreme Court says the Oklahoma oil law is all right—a matter of conservation which just happens to fix prices. Other states may now stop profitless competition by saving their natural resources. *(p. 9)*

Increasing branch plants and local industries to serve local needs would indicate a trend toward decentralization which may realign production and distribution facilities. *(p. 22)*

A new adaptation of the self-locking nut shows promise as a substitute for the rivet in steel construction. *(p. 17)*

Transport

Railroad labor and railroad management approach the 6-hour day inquiry from opposite poles. Labor makes another bid for recognition as a partner in industry. Management talks in terms of costs. *(p. 16)*

The I.C.C. is turning a speculative eye on railroad salaries, especially the effect of salary cuts, if any, on the higher brackets. In Canada, unfair compensation is coming in for a bit of unpleasant conversation. *(p. 14)*

In authorizing the B.&O. Reconstruction Finance loan, the I.C.C. again reminds the banks that it's rail relief, not bank relief, which is being handed out. *(p. 14)*

Transatlantic shipping has passed through the every-line-for-itself stage, decided on cooperation through necessity. Appointment of a passenger traffic dictator will do much to stop profitless competition. *(p. 25)*

Labor

Unemployment insurance is gaining in acceptance. First great industrial group to approve is the National Electrical Manufacturers Association. *(p. 6)*

Cleveland's special study of unemployment reveals conditions growing steadily worse. Families cared for by Associated Charities numbered 789 a month in 1928, now reach 18,921—which is a small percentage of the total unemployed. *(p. 20)*

A survey covering 111,700 white collar employees shows reductions in personnel averaging 19.4%, in pay averaging 14.1%. *(p. 23)*

In this issue:

"Food Habits," Part 5 of The American Consumer Market

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending May 21, 1932

Direct Relief, Loans to States, Construction Loans, Will Pass

Bond issue will be voted by Congress, it seems clear; the only question is its size

WASHINGTON (*Special Correspondence*)—Certain definite facts may be authoritatively stated now with regard to the general relief, construction, and federal aid program, even though there are still sharp differences of opinion between the Administration—almost at one extreme—and Senators Wagner and Robinson—almost at the other, with scores of members on middle ground.

The rather well assured facts are:

(1) A relief program will be passed by Congress before adjournment. This does not necessarily mean before the recess for the conventions, for it is almost impossible for Congress to adjourn in June.

(2) The program will include authorization of a large federal bond issue. It may be $300 millions, the lowest estimate, or $2,400 millions, the highest. The first figure is what the Administration hopes and the higher what Wagner, Robinson, and their colleagues are figuring.

(3) Loans by the federal government to states will be included, to finance public works to provide employment, or for local relief work. This is approved by a very considerable majority of the leadership of both House and Senate.

Cities Are Barred

(4) Loans to municipalities, counties, and other governmental units smaller than states will not be included. This is also the view of a large majority in both houses, some on practical grounds, some on expediency, and some, like Senator Borah, on the constitutional ground that the federal government cannot have relations with units smaller than states.

(5) Loans by the Reconstruction Finance Corp. will be authorized to private corporations contemplating new construction of "self-liquidating" character. For example, a bridge or tunnel, tolls of which would pay interest and sinking fund. To provide for this, not only must additional authority be given the Reconstruction Finance Corp., but additional money as well.

A special Democratic committee, including Senators Wagner, Robinson, Bulkley, Walsh (Montana), and Pittman, is working on a general relief bill which added up, as this was written, to $2,400 millions. This is divided as follows, in millions of dollars:

Construction, federal projects already authorized	$1,100
Direct relief	300
Loans to states, municipalities, and counties for public construction	1,000

The committee has also before it a proposal to authorize the Reconstruction Finance Corp. to make direct loans on agricultural export paper of $40 millions.

Of these items, the first two would alter the situation with respect to balancing the budget. Any bonds issued for the purpose of construction by the federal government would naturally add whatever interest they might carry to the annual expense of the government. And any bonds issued to provide funds for direct relief by the federal government. On the loans to states, or by the Reconstruction Finance Corp., borrowers would pay the interest.

Borah Supplied Alibi

Borah killed the inclusion of municipalities. When he came out vigorously against the policy, his arguments provided such a good excuse or alibi for those who were opposed to the plan for other reasons that it is virtually certain now no such provision will be enacted.

This was an unexpected gain for the Administration side. But offsetting this is a rapid growth of sentiment in favor of direct federal relief. Some of the most conservative leaders of the House, for example, are impressed with the danger of permitting Congress to ad-

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see page 34 for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	**May 18**	**+0.3**	**+0.4**
90 Stocks (Standard Statistics)	**May 19**	**—5.6**	**—9.2**
40 Bonds (Dow Jones)	**May 19**	**—3.6**	**—6.6**
Brokers' Loans	**May 18**	**—5.5**	**—17.9**
Member Bank Borrowings from Federal Reserve (Bills Discounted)	**May 18**	**—1.4★**	**—17.6★**
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	**May 18**	**+5.5★**	**+33.8★**
Bank Suspensions — Number	**May 12e**	**—14.3★**	**+9.1**
U. S. Gold Stock	**May 18**	**—0.9**	**—2.4**
Member Bank Reserves	**May 18**	**+2.2★**	**+10.8★**
These signs should follow promptly:			
Total Loans and Investments of N.Y.C. Reporting Member Banks	**May 18**	**—1.0**	**+0.5★**
Fisher's Wholesale Price Index	**May 13e**	**—0.3**	**—1.6**
The Business Week Index	**May 14e**	**+1.2★**	**—1.0**
Employment — Manufacturing (89 industries)	**April**	....	**—3.6**

e—Week Ending

The Business Week

journ without making some provision to prevent actual starvation during the summer, or starvation and cold in the early winter before Congress reconvenes in December.

Even some of the more conservative members, unalterably opposed to anything smacking of the dole, are insisting that Congress must not permit people to starve. The federal government must, they contend, at least provide places at which the hungry can get something to eat.

They do not want to do anything which might tempt the lazy not to work, as they think the dole has done in Britain. The soup kitchens, they argue, should not provide a temptation to any man offered a job.

Oppose Federal Building

Administration senators and members are vigorously opposed to any more federal public works. They are inclined to think this a most expensive way of providing employment, and one which adds too greatly to the tax problem. And, as was stated last week, an overwhelming majority in both houses of Congress is determined to balance the budget. The only difficulty is in agreeing on what to tax in order to balance the budget.

The Democratic special committee, working to combine the Wagner and Robinson plans, is of course committed to a very large program of federal construction. The outcome of this battle is in doubt.

Meanwhile the President is making it clear in almost daily talks with senators and representatives that he wants the relief program held down as much as possible. The best information obtainable is that he does not favor direct relief. This was certainly his position until very recently, and conversations in the last few days show that he has not changed. If he accepts any at all it will be in yielding to an inevitable compromise.

Compromise Indicated

Administration leaders have told the President it is impossible to hold the relief program down to a sum which would come anywhere near satisfying him. At the same time they are sure that the huge total now contemplated by the Democratic committee will be cut to not more than a third by the time it is passed by the two houses.

For example, take the $1-billion item in the Wagner-Robinson program as it stands at the moment for loans to states and smaller units of local government. There is an apparent majority in both houses against loans to smaller units. That would naturally whittle down the billion to a much smaller figure.

Again, take the figure of $1,100 millions for immediate construction of federal projects already authorized. Naturally this invites logrolling. But there is a considerable element opposed to it in its entirety.

So probably this will be whittled down considerably.

Unemployment Insurance Gets Its First Big Group Support

UNEMPLOYMENT insurance has had increasing support. The Chamber of Commerce of the United States recommended the adoption of unemployment reserves. So did the Interstate Commission on Unemployment Insurance. Wisconsin thought there ought to be a law, and there is, in Wisconsin.

Now, a great industrial group has gone on record in favor of it. At its spring meeting, the National Electrical Manufacturers Association officially sanctioned an unemployment reserve plan for its members which follows that adopted by General Electric in 1930, and included in the Swope Plan presented at the meeting of the N.E.M.A. last fall (*BW—Sep23'31*).

Under the plan, all employees with 12 months' service getting less than $2,500 a year are eligible. The plan may be adopted in any company upon approval of 60% of eligible employees. Each participating employee contributes 1% except when they fall below 50% of normal. The company matches this contribution.

Half Pay for 10 Weeks

Under "normal" conditions, after an initial unemployment period of 2 weeks, an employee who has made contributions for 6 months receives 50% of his normal earnings for a period not exceeding 10 weeks during any 12 months. Part-time employment providing less than 50% of normal earnings is subsidized up to 50%.

When payment of benefits from the fund exceeds 2% of the normal payroll of participating employees, an emergency is declared, all regular contributions cease. All employees, whether participants or not, who are receiving more than 50% of their normal income, contribute 1% of their pay through the emergency period. Payments from the emergency fund are made on the basis of individual need in relation to the financial status of the fund.

Only 70% of the fund is available for unemployment benefits; 27% is for loans to participating employees; 3% for relief to needy employees and pensioners. The plan carries provisions for refunding contributions to employees leaving the company and one which permits the company to stop its contributions to the fund if it can guarantee 50% employment for all its employees.

Such criticism as will be raised against the plan will center on employee contributions, the inadequacy of its benefit provisions, and the apparent lack of any definite means to promote employment stabilization.

In spite of objections, there still remains a very important accomplishment; a great industrial group has approved the principle of unemployment reserves, and is taking steps to provide them for its employees.

Britain Makes Best Employment Record

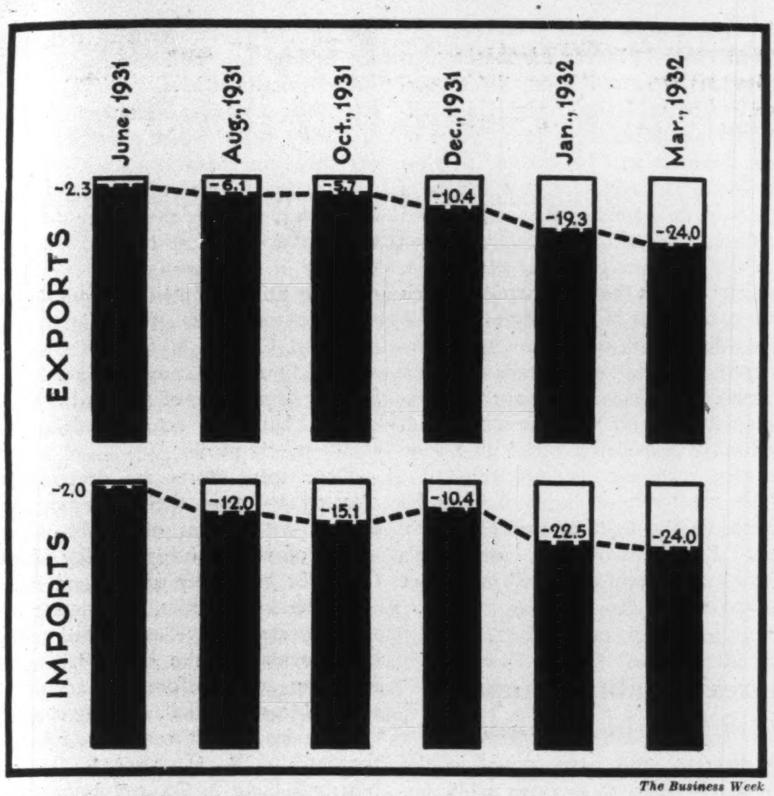
EMPLOYMENT picked up in 5 European countries in March. Holland reported the largest increase—nearly 15%. Italy was second with more than 8%.

Great Britain's pickup was smaller—only 5% for the month—but, in relation to the total on the same date last year, was the most encouraging in the group. There were 0.5% fewer men out of work in Britain in March, 1932, than in March, 1931. This is true of no other reporting country in Europe.

Austria and Germany are the 2 other countries with fewer unemployed than in the previous month.

Only 9 countries have turned in figures so far. The 4 reporting increased unemployment in March and thus moving contrary to the usual seasonal trend are: France, 3.4%; Poland, 2.6%; Denmark, 0.9%; and Czechoslovakia, 0.5%.

Of all of the countries of Europe, France was last to feel the full effects of the depression. As a result, it resisted unemployment rather successfully until last year. Since that time, though the total number of unemployed has been relatively small, the rate of increase has quite consistently been the largest among the major countries.



The Business Week

TARIFFS KILL TRADE—*Each bar on this composite chart of the foreign trade of 12 major European countries shows the decline since the same month of the preceding year. Every nation has been raising tariff walls, reducing imports, rationing foreign exchange, trying to be self-contained*

Lausanne Has World to Remold —and 14 Reasons for Failure

As bad as their situation is, the 14 nations meeting there are not ready to agree on a way out

THE utmost optimism that world business can muster these days is tied to hopes that representatives of 14 nations who will gather at Lausanne on June 16 will find some way out of the present economic and political muddle.

And yet, in not one financial or political capital in the world is there any real confidence that anything significant is going to be accomplished.

Lack of hope is due to a long series of reasons, but back of them all is one —an unwillingness to forget extreme nationalism long enough to cooperate across not only one, but many, international boundaries.

The Lausanne conference was planned a long time ago. Before the Hoover moratorium on German reparations and European war debts had been in effect more than a few months, it was perfectly evident that these obligations could not be resumed by Germany at the end of the debt year, July 1, 1932. The original conference, scheduled for January, petered out. It was postponed indefinitely to "allow time for the more careful preparation of agenda, further opportunity for major participants to debate differences of opinion." It was hoped that these meetings would overcome in advance some of the worst problems.

The meetings have been held but they have failed to accomplish anything. With the conference less than a month away there is still no prospect that problems will be threshed out any more successfully than last January, though conditions are infinitely more desperate.

Of the long list of items which have been mentioned at various times for inclusion in the agenda—reparations and debts, tariff barriers, foreign exchange restrictions, the gold standard, silver, aid for the Danubian states, readjustment of the Versailles treaty to allow more rational economic life in a number of areas in Europe—it is doubtful now if even the crucial issue of reparations can be settled satisfactorily. Certainly no settlement can be definite until after the American elections and a new government faces the question of debt payments.

Austria May Swing It

Because of the desperate situation which has been revealed in Austria, the moot question of Central Europe may win a more considerate hearing than now seems possible. The more rapid the repercussions from Vienna's financial crash, the greater the possibilities of some international action at Lausanne.

Germany's position has become very definite. Last week the much-harassed but always capable Chancellor Bruening spoke for Germany:

"The Lausanne conference will either be the road sign pointing the way to a new life or a millstone leading to collapse. There must be an end at last to our sacrifices. The world must realize we simply cannot pay reparations."

Germany Makes a Distinction

It is a bold statement. It reflects the challenge of Hitler and the Nazis. It reflects the often-repeated German point-of-view of the last 6 or 8 months: "Reparations? Never. Commercial debts? To the last reichsmark." It is the only definite stand so far taken by any country.

France, a week ago, elected a Chamber of Deputies of a new complexion. With the Radical-Socialists the largest single party in the new Chamber, and M. Herriot at its head, the world is inclined to expect a more liberal attitude at Lausanne. But no one knows yet. And it will be the first week in June before the Cabinet is definitely formed. It can scarcely be determined just what proposals the new Chamber will, and will not, support before the official representative of the Cabinet is called upon at Lausanne to speak for French policy.

London Less Sanguine

Britain is in a conciliatory mood, but daily less sanguine. London has not yet accounted for her debt payments to the United States in the new budget. On the other hand, there are few people in Britain who even talk repudiation. Obviously Germany cannot pay. And almost as obviously, Britain cannot pay without German reparations.

Central Europe on Fire

The situation in Central Europe is what is rushing to a head. Hungary some time ago declared a transfer moratorium on most of her foreign obligations. Greece joined the procession recently, and abandoned the gold standard. Austria is at the end of its resources, has appealed once more to the League of Nations for immediate help. The $10-million March trade deficit alone equalled one-third of the remaining gold supply of the National Bank. Since then the government has made one further effort to stave off financial collapse by setting up import embargoes on 66 "dispensable" items and reducing the quotas on others.

Czechoslovakia, until comparatively recently only a slight sufferer, is beginning to feel quite drastically the effects of the import barriers of all her neighbors and of the new British tariff. The famed Skoda steel works are in serious financial difficulties.

In Poland, another of the satellites of France, there is now talk of a transfer moratorium. Nearly $100 millions of American loans are involved. And in Poland there is another fear. Since Versailles, France has been a staunch supporter. There have been loans; there has been backing for Polish projects which would hit Germany.

Franco-Polish Rift

More recently, France has seemed cooler. A year ago the first instalment of a loan to help build the Corridor railroad and consolidate Poland's position in that old German area came readily from Paris. It is doubtful now if Paris will back the second instalment soon due. Financially-minded Frenchmen seem suddenly to have become less interested in political loans. Certainly, Franco-Polish relations will grow less intimate as Franco-German relations improve.

So stands the situation on the eve of the all-important Lausanne conference. Much, almost everything, seems to be at stake. As *The Business Week's* Paris office pointed out some weeks ago in surveying the situation (*BW—Apr 20'32*), any progress which is made will come only after the ultimate of disorder has been reached, will be humanly unsystematic. Voters and politicians will continue to balk at the scientific measures which might speed relief. No one will give an inch until forced.

If at Lausanne only a one-year extension of the Hoover moratorium on reparations is agreed upon, the conference will be generally considered a failure. If the extension is for 2 years or more, business will be inclined to view the results favorably for this will be a tacit way of agreeing that reparations are virtually dead.

If the conferees go so far as to attack with any success the tariff barriers which have been raised in the orgy of the last 6 months, or to ease the foreign exchange restrictions, or to work out some amicable economic accord for the Danubian states, they will deserve acclaim for having started the world on a sane plan for economic readjustment.

The smaller hope is all that can be justified in the light of present events. And, if all plans fail, Bruening's warning of "world collapse" might not be far-fetched.

Stores' Quality Campaign Steadily Gains Ground

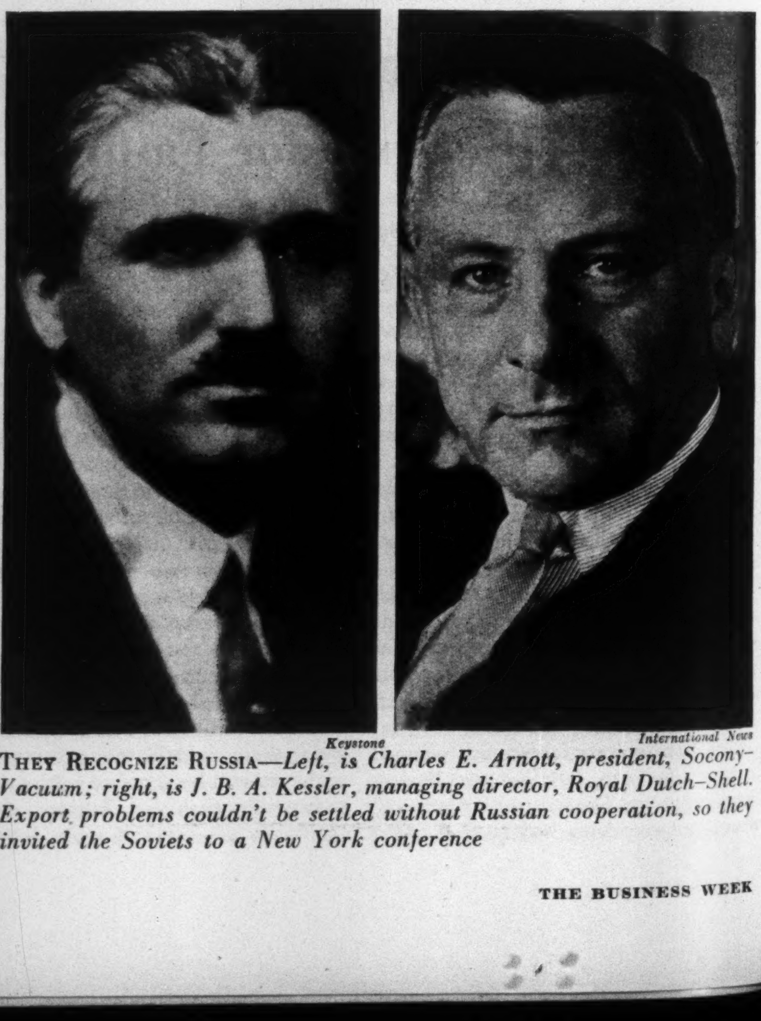
MERCHANTS who have joined in the general campaign to increase public appreciation of quality in merchandise report a growing response. They find that, in increasing numbers consumers are asking for, and buying, not the lowest-priced articles, but those that meet their particular minimum standards of quality, below which price and cheapness have no appeal.

Department stores are particularly active in promoting the quality drive, as they have found it to be their best weapon in combating the constantly growing price competition from chains, itinerant merchants, fly-by-nights, and peddlers. Catering to these distributors, manufacturers have produced goods that had the appearance of standard size and quality, but were actually misfits, too small, poorly made.

Department stores are devoting increasing space in their advertisements to full descriptions of goods offered, details of workmanship, quality of raw materials, generosity of size and cut.

In the larger cities, department and specialty stores have established special departments for the quality-testing of incoming goods before they are put in stock. Measurements are being checked.

Some department stores have followed the lead of R. H. Macy & Co. and Marshall Field & Co. and have organized research bureaus which submit materials to laboratory tests.



Keystone International News

THEY RECOGNIZE RUSSIA—*Left, is Charles E. Arnott, president, Socony-Vacuum; right, is J. B. A. Kessler, managing director, Royal Dutch-Shell. Export problems couldn't be settled without Russian cooperation, so they invited the Soviets to a New York conference*

Right to Stop Economic Waste Puts Teeth in Conservation Laws

Supreme Court's decision in Oklahoma oil case may affect all natural resource industries

PROPONENTS of oil conservation are jubilant over the United States Supreme Court decision this week upholding the conservation law enacted in Oklahoma early in 1915 and the subject of court attack ever since. The decision greatly strengthens their hands in all states because it sustains the state's right to prevent not only physical waste of its natural resources but also the economic waste that arises through production in excess of demand.

The influence of this particular finding may spread far beyond the oil domain. Oil is only one of the natural resource industries suffering from that overproduction trouble for which the court decision suggests a remedy.

The Point of Attack

The conservationist's argument against economic waste has been the particular point of attack of all opponents to conservation and proration of production. It was considered so vulnerable to court assault that the Texas legislature, when it enacted an oil conservation law at a special session last summer, refused to include protection against economic waste in its measure, limited the powers of the State Railroad Commission to the prevention of physical waste.

The suit was brought by Champlin Refining Co. of Enid, Okla., which charged, among other things, that the law interfered with normal supply and demand and tended to fix oil prices. The court's answer to this point has special significance just now when many industries are trying to get around the fact that most attempts to stabilize their activities likewise tend to fix prices of their products and so, apparently, place their plans outside the law.

Unanimous Finding

The court held, unanimously: "It may be that restriction on production by the statute will prevent a supply in excess of market demands and thus indirectly tend to sustain the price of gas and oil. But such is not the main purpose of the statute, and the fact that it may have an indirect effect on prices does not, in our opinion, render it invalid."

To another of the plaintiff's petitions, that its vested interest in leases and wells gave it the right to take all their natural flow so long as it does so without physical waste and devotes all the production to commercial use, the Court replied: "But if the plaintiff should take all the flow of its wells, there would inevitably result great physical waste even if its entire production should be devoted to useful purposes."

The Oklahoma law, now upheld in detail, gives virtually complete control of oil production to the state. The commission which enforces the statute can prevent any sort of physical waste of gas or oil; it can determine the actual value of crude oil and prohibit flowing of wells if oil cannot be sold for, at least, cost; it can issue proration orders fixing the percentage of capacity at which wells may be operated: in fact, the commission runs the industry in Oklahoma.

Clears the Road

Heretofore, the uncertainty about the legality of the statute has militated against its full use; its failure to control Oklahoma production last summer led to the declaration of martial law which made a presidential candidate of Governor "Alfalfa Bill" Murray. From now on the law is likely to be enforced and other oil states will give serious consideration to the enactment of similar statutes to give equivalent protection to their own natural resources.

General Foods' Process Opens Market for Nuts

NUTS, with the sole exception of the ubiquitous peanut, do not take kindly to the machinery of mass marketing. In or out of their shells, they are so easily affected by time and temperature, moisture and contamination, that they cannot stand the trip from producer to wholesaler to retailer to eventual eater.

General Foods plans to eliminate this blockade of a ready market for nuts. Adaptation of the "vita-pack" process is the first step. Merging the newly acquired Bennett Day Importing Co. with the Franklin Baker division is the second. The new subsidiary, Baker-Bennett-Day, Inc., will make the importing, processing, and marketing an important activity of General Foods.

The "vita-pack" process eliminates spoilage, Nuts are packed in tin containers, the air is exhausted, replaced with an inert gas. The Franklin Baker division has had plenty of experience with the process, which proved its worth in the marketing of cashew nuts.

Up to 1922, our imports of cashews rarely exceeded 50,000 pounds a year. Spoilage in the long, hot trip from India was great. Since the new process, which brought them to the consumer in first class condition, cashew nuts have increased in popularity so rapidly that imports now exceed 10 million pounds.

Nuts packed in bulk in the country of origin will be packaged over here. Labels and tin "vita-pack" containers are now being developed. A complete line of nuts and nut meats will eventually be available throughout the country through the usual wholesale and retail channels.

Other varieties may follow the spectacular course of the cashew, given the same opportunities.

Use State Boundaries As Business Walls

NATIONALLY operating manufacturers and contractors are deeply concerned over the rapidly growing tendency of many states and sections to revive "boundary-consciousness," urge the purchasing of home products instead of those made by "foreign" concerns, even legislate against out-of-state purchases if native concerns will supply requirements on, at least, even terms.

The depression has spurred the movement on since local and state trade and business organizations which promote "buy home-products" movements of this type generally do so under the guise of helping employment in industry. They disregard the effect on interstate commerce and the large volume of employment depending upon distributive functions such as railroads, trucking companies, warehousing, and wholesaling.

Maryland has under way a campaign to increase the sale of the state's natural and manufactured products, is calling on manufacturers and retailers to carry window displays and newspaper advertisements on such goods.

North Carolina set aside this week (May 16-21) as "Made in North Carolina Week," urged retailers to feature state-made products, build up public preference for the home output.

Texas manufacturers are studying the state's consumption of various products, focusing public attention upon the small slice of the state demand, which they now supply, citing the advantages of buying Texas-made goods, or Texas-grown products.

Manufacturers of Spokane are urging home people to buy the products of their home factories.

New England's Program

The compactness of the New England territory, its large variety of industries, plus its better-than-average home market have prompted intensive campaigns to "Buy New England Made Goods," or "Keep New England Wheels Humming." Manufacturers in the 6 New England states use the home-products appeal extensively. Producers of agricultural products, poultry raisers and dairymen promote the "New England" label as an added urge to native buyers.

Because it is a great dairy state, Wisconsin proposes that even the needy shall not be allowed to use any substitute for butter, has just enacted a law which imposes prohibitive taxes on those who sell margarine—a $1,000 annual "license fee" for manufacturers, $500 for wholesalers, $25 for retailers.

A number of states protect home industries in awarding contracts for public works. Several have enacted laws compelling award of such contracts to concerns within the state, when this can be done without any increase in price. At least one state (Wyoming) permits a premium payment, not to exceed 5%, for home products.

Chain store organizations, operating in states where "Buy Home Products" campaigns are in progress, find it advisable to capitalize their patronage of home industries. Some, to promote native good-will, advertised the volume of goods purchased within a "boundary-conscious" state. Sears, Roebuck & Co. stores assiduously feature home products in both their window and newspaper displays.

Part of Cotton Wrigley Bought Makes 6 Million Handkerchiefs

FORTY years of successful experience in premium merchandising lend interest to what Wm. Wrigley, Jr., Co. is now doing. Some spectacular deals have been made in the past year. J. Allan Ross, vice-president, says: "Back in the days when grocers carried crackers and pickles in barrels, we adapted our premiums to the times—push carts, delivery wagons, phonographs, other bulky merchandise. Now, when merchandise moves faster, and in small packages, we use more small packaged premiums."

"Sealpackerchiefs" are the latest big Wrigley companion merchandise offer. For $2, a dealer gets 3 boxes of gum (retailing for $3) and 6 of the packaged handkerchiefs (retail price, 60¢). The cost is about 15¢ more than he ordinarily pays for the gum alone. If he keeps the handkerchiefs for his personal use, he cuts his normal profit on the gum from $1.15 to $1.00; if he sells the handkerchiefs, he increases his profit from $1.15 to $1.60.

International Handkerchief Manufacturing Co. gets by far the largest order for handkerchiefs ever placed; 6 million handkerchiefs have been distributed in recent weeks to Wrigley's 900,000 dealers.

The Wrigley Co. offered to buy cotton in proportion to its gum sales in the South, and thus accumulated large holdings. Now part of the cotton is to be converted into 1 million yards of handkerchief lawn.

Wrigley's 900,000 outlets outnumber, possibly 20 to 1, existing outlets for trademarked handkerchiefs. If some of the 900,000 decide to keep on offering packaged handkerchiefs, as is quite likely, the final result is to build a bigger handkerchief-selling organization.

National Brands Used

Only nationally-advertised and price-protected commodities enjoying broad acceptance and known to have outstanding value are used in Wrigley combination offers. Following is a list of the main offers of the year past, and the actual volume of each, first such list ever given out by the Wrigley company: 20 carloads box openers; 10 carloads U. S. playing cards; 19 carloads American Gem safety razors; 40 carloads dolls; 16 carloads Oneida teaspoons; 50 carloads Hammond electric clocks ($3.50 electric clock and 3 boxes of gum—$3 retail—for $2.75); 28 carloads Sealpackerchiefs.

Much light is thrown on the character of a business man by what happens to his concern after his death. P. K. Wrigley, 37 years old, carries on as president, a position he has held for about 10 years. He keeps his feet on the ground.

"Newspaper men and others kept asking me what changes would be made," he remarked. "People seem to think that there have to be a lot of changes in such a case. We made none. Dad believed that it is just as important to build an organization as to build a business. Because he did both, we are going on just as we were, with no changes at all."

This holds for both the chewing-gum company and the Cubs. The former is doing well as compared with previous years. The Cubs have been leading the league.

"Wholesale" Retailers Worry Real Retailers

MINOR irritations assume major importance when the system is in a run-down condition. For years retailers have competed with the "wholesale-retail catalogues." Now the outcry against them swells to national proportions, charges are made that this form of consumer selling has become a threat to stores. On the side of the opposition are the mail order houses, once the bright particular bugaboos of the local retailer.

The anathematized catalogues play adroitly upon a consumer yearning to buy at wholesale prices. The National Retail Dry Goods Association classifies the issuers as firms "which under the guise of wholesalers, distribute catalogues to the ultimate consumer, alleging that goods advertised may be purchased either at wholesale prices or at substantial discounts from the regular retail prices . . . Few, if any, of these houses are legitimate wholesalers or jobbers selling to the retail trade."

Usually "50% Off"

Goods usually sell at 50% discount from the "list price." In one book a standard brand watch, illustrated in a case marked $75, has a list price of $86. The buyer takes his 50% discount from the $86 and pays $43. Nearly everything except styled wearing apparel is handled, but the largest listing usually is jewelry.

Some of the catalogues are de-luxe, full-colored affairs. One edition is estimated to have cost $8 a book. This luxury is possible since the firms vary the usual mail order technique. They don't broadcast the catalogues but send them to plants and offices where they can be passed from hand to hand. Herein lies one of the particular barbs of irritation.

The catalogues are placed with purchasing agents of companies. Through their offices, employees thumb through the book and order goods. It is alleged that purchasing agents often receive commissions or gratuities for pushing sales. In Cleveland retail stores curbed the practice by going to the highest executives of plants, explaining what was happening, inducing the executives to bear down on their buyers.

Manufacturers profess sympathy for the embattled retailers, but those selling the catalogue houses keep right on filling their requirements. Check-up of prices in the books discloses loss-leaders of well-known brands, while other quotations about parallel those of low-priced retail stores. The Retail Dry Goods Association announces that it will join the jewelers and other organizations in taking abuses to the Federal Trade Commission. Apparently their principal point of attack is against the use of the word "wholesale."

They Are Beginning to Make A Science of Percentage Leasing

Chain stores started the system, other retailers are picking it up; landlords now seek standards

INVESTIGATION is now under way looking toward devising a standardized percentage lease for retail stores. Frank S. Slosson, Chicago realty broker who has written more percentage leases than any other man (about 250 in 20 years), heads the committee of the National Association of Building Owners & Managers that is sponsoring the study on a national basis.

In numerous cities of the country store-renting real estate brokers serving on this committee are getting from lessees of business property data about volume done in quarters leased on a fixed rental basis. As a result of this study, present fixed leases for various kinds of retail businesses are to be translated into percentage terms, so that conclusions may be drawn as to what percentages are proper and fair to both sides.

Following is the schedule used by Slosson in his everyday work. Concerning it he says, "Under present business conditions, and in the present market, any percentage list or table could, and would, be attacked, and probably convincingly so. However, the list below will, I believe, over an average period of years be reasonably accurate, and justified thoroughly because of its accuracy."

Type of Store	%
Department	*2½ to 4
Art Goods, Artists' Supplies	10
Books, Stationery, etc	10 to 12
Second-hand Books	about 15
Candy	10 to 12
Flowers	10 to 12
Hats	8 to 10
Hardware	8 to 10
Cigars	7 to 10
Drugs, cut-rate	6 to 8
Drugs, individually owned, neighborhood stores	10
5¢ & 10¢, 25¢—$2 Stores	5 to 8
Jewelry, cheap costume, etc	12
Jewelry, popular volume, lower quality	10 to 12
Jewelry, high quality, exclusive	12 to 15
Men's Furnishings	10 to 12
Men's Clothing	6 to 8
Chain Groceries	4 to 5
Neighborhood Groceries	8 to 10
Men's Shoes	7 to 10
Women's Shoes	8 to 10
Women's Wear	8 to 10
Restaurants	10 to 12
Fruit	12 to 15

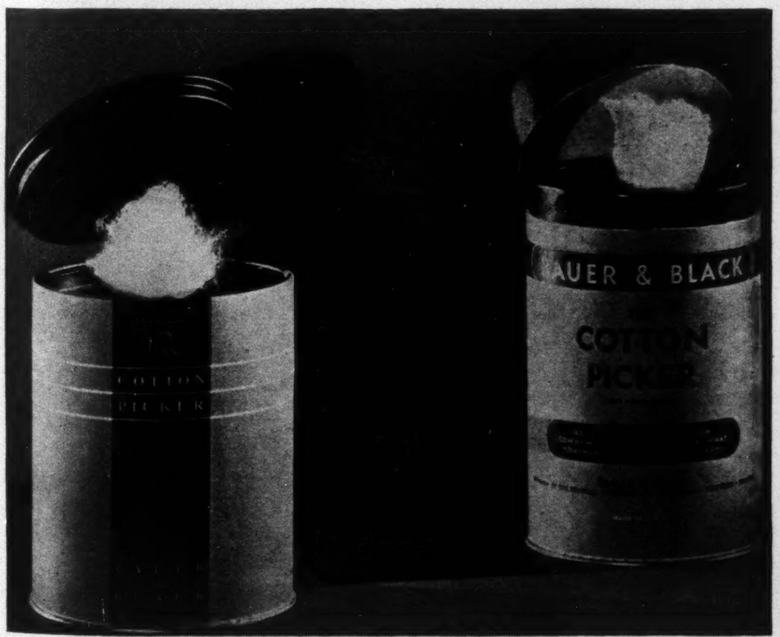
*Taxes to be paid by store in addition to rent.

The majority of percentage leases now extant are signed by chain stores in a few big cities (*BW—Oct21'31; Feb24'32*). They started it a number of years back. During the good years preceding 1929, however, it was found that rents paid under such leases averaged higher than fixed rents. Some chains refused to renew such leases. Now they have changed their attitude. They want percentage leases and nothing else.

Average Yield Higher

Over a period of years, Slosson states, percentage leases have returned average higher income to landlords than fixed leases on the same sort of location. One reason is that building owners ordinarily sign such leases only with well-managed firms known to be skilful and aggressive merchandisers. Most percentage leases carry a minimum guarantee of about three-fourths of the asked price.

In one case the head of a candy chain some years back offered to take a location on a 10% percentage, $3,600 a year minimum guarantee. The landlord



The Business Week

IMPROVING THE IMPROVEMENT—*The old "Cotton Picker" on the right was considered a radical change from the traditional blue paper roll a year and a half ago. The new pastel-shaded model, styled by Gustav Jensen, consolidates Bauer & Black's position on the dressing table* was hardboiled, "didn't want to go into the candy business," held out for $5,000 fixed price, and got it. As it later turned out, the percentage lease he turned down would have yielded as high as $50,000 a year rental. For the candy store thrived and did up to half a million a year on that location.

Some Landlords Critical

Landlords are by no means all sold on the percentage lease idea. George Richardson, head of the Marshall Field Estate, one of the largest real estate holdings in the country, expresses himself cryptically, "We are in the real estate business. There's trouble enough there. We don't want to be in a lot of other businesses too. We don't sign percentage leases unless we have to."

There appears little reason for believing that percentages need be adjusted to depression conditions. The percentages can remain about the same as in good times. The falling off in gross business automatically does the adjusting.

In cities where tax assessors pay a lot of attention to rental income, percentage leases that turn out to be bigger income producers than fixed leases have a tendency to raise taxes. Care must be taken not to permit such leases to upset values, due to freak conditions—as might have happened in the case of the candy store mentioned.

Fraud Virtually Out

Under the Slosson system, fraud on the part of the tenant has been practically nil. Tenants use cash registers of a type that delivers a duplicate slip into a locked compartment for which the landlord has the only key. These slips are collected weekly. The tenant supplies monthly a sworn statement as to volume of business, so drawn as to make him criminally liable for fraud if he misrepresents. At the end of the year he supplies an audit by a certified public accountant. In case of suspicion, the owner can demand an audit. If everything is O.K., the owner pays the bill; if not, the tenant pays.

Percentages are figured on net business done, that is, gross sales minus returned goods. Credit and cash business look alike to the lessor. "It is not the owner's fault if extension of credit brings trouble," Slosson points out.

A war in Greece, not the current depression, is what really started percentage leases going. About 1912 some Greeks in Chicago, who owned a business property on West Madison Street, were called back to serve in the army. They turned the property over to Frank Slosson, with full power of attorney. A candy man from Cincinnati wanted to rent space in it, and offered to take it on a percentage basis, as he had done once before in his home town. As Slosson puts it, "The Greeks were in Greece. I had full power to do as I pleased. It looked like a good idea to me. I agreed. I have been negotiating percentage leases ever since and am more sold than ever on the fairness of this type."

Some unusual percentage leases are already on record. Builders Bank of Chicago, a small bank in the Loop district, occupies quarters in the Builders Building on a percentage lease, geared to its deposits. A real estate broker in New York, unable to pay his rent, told his own landlord that he would give him 25% of his earnings. The landlord accepted.

Heretofore, most percentage leases have been on ground floor, retail locations. In the depression there may develop percentage leasing of office locations to insurance men, dentists, etc.

Too Many Models Are Hard On the Car Dealer

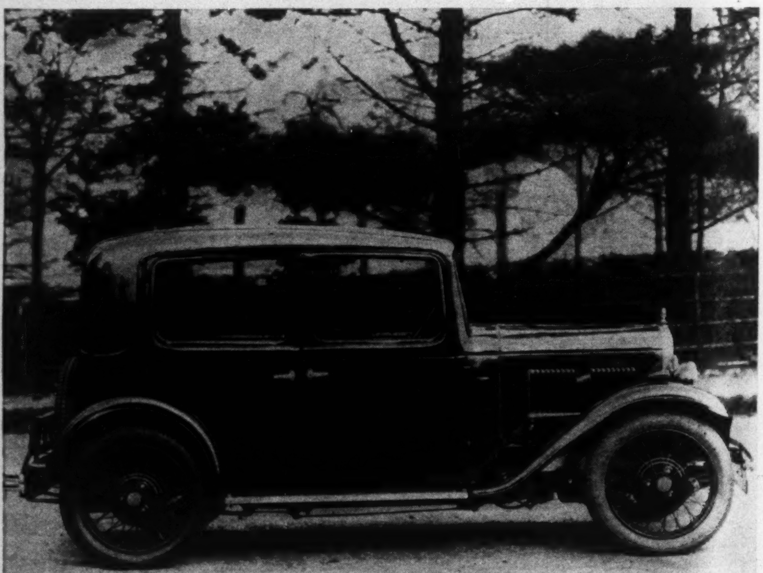
THE automotive industry is seriously considering cutting down the number of models offered in each line and concentrating on the most popular. Obvious production economies would result. More important, dealers are financially unable to stock the entire line under present conditions and frequently lose sales of unstocked models because of delivery delays.

Ford ("any color as long as it's black") is now the most accommodating of low-priced car makers, gives his customers a choice of 14 models in each of his 2 lines. Chevrolet has 13 models, Plymouth 11, Pontiac 6 each in the 6-cylinder and V-8; DeSoto has 6.

The subject has been discussed in recent meetings of the National Automobile Chamber of Commerce but any definite announcement of policy from that source is unlikely.

Also under discussion are f.o.b. prices, which are looked upon by many as a sales deterrent in dollar-watching times. A customer sold on a $750 car through national advertising rebels at paying $850 for it on delivery with freight, handling, and extra equipment charges added. What worries manufacturers is how to advertise nationally a price fixed by local conditions.

With the forecast of 45,000 Fords for May, 75,000 in June and possibly 100,000 in July, comes the interesting information that Ford still does not know how much his cars are costing him. Reversing the usual procedure, but one which Ford has followed before, prices of new models are set to beat competition. Then it's up to the engineers and production experts to get costs down to make a profit. Because of this drive for lower production costs, machinery and equipment makers are looking to Dearborn for orders.



Central News

England's Answer—*The new Austin 10 (£168) is slightly larger than the "Baby" Austin (£120), will compete with the light Ford (£120) developed for foreign markets. Wheelbase, 93", is 3" longer than the Ford*

Increased Bank Reopenings Test Many Forms of Reorganization

BANK reopenings have exceeded suspensions during the past 4 weeks. Definite plans for further reopenings in coming weeks will release additional millions of dollars. More than 350 closed banks have reopened since Jan. 1, 1931. Reorganization plans for the reopening of 41 Michigan banks are nearing completion. Capital involved amounts to more than $20 millions. Superintendent Love of Mississippi's Banking Department has reopened 43 of the 75 closed banks in that state. Since the Reconstruction Finance Corp. began to function, only one closing has been reported by Arkansas. Bank failures dropped from 522 in October to only 16 in April.

The "Spokane Plan"

Reopenings have taken place under various plans of reorganization. The office of the Comptroller of the Currency has found the "Spokane Plan" most successful. Under this, acceptable assets are sold to a going bank in the same community for an amount sufficient to enable the receiver to pay a substantial first dividend to the creditors, such payment being made by a credit on the books of the purchasing bank subject to immediate withdrawal. Unsold assets remain under the jurisdiction of the receiver, at least temporarily. A substantial percentage of the deposits thus set up on the books of the purchasing bank usually remains with that institution. In a recent case, where a portion of the assets of the Bank of Pittsburgh were sold to the First National Bank of Pittsburgh, the latter bank only lost about 5% of the credits so set up.

Providing New Funds

The demand for new funds to offset depreciation in assets frequently takes the form of an assessment against the stock ranging from 50% to full liability. Sometimes stockholders make a donation of the necessary funds. Occasionally an increase of stock is necessary for this purpose.

Michigan's new law is illustrative of the so-called moratorium agreement on deposits. A bank is permitted to reopen after 85% of the depositors have signed agreements pledging to leave a large percentage of their deposits with the bank for, in most cases, 5 years.

Another reorganization plan calls on depositors to agree to waive a certain percentage of their claims varying from 10% to 85%, the average being 50%. This is then set up as a trust or revolving fund and liquidated as soon as possible.

State laws usually make such agreements binding only when a certain percentage have signed. For example, in Minnesota, North Dakota, and South Dakota, an agreement is binding only if signed by depositors representing 80% of the claims.

Postal Savings Deposits Show Decline

WHILE 1931 postal savings deposits reached record-breaking totals, figures just made public indicate that average monthly deposits have fallen off more than 70% since January.

Deposits on Dec. 31, 1931, totaled more than $600 millions, with monthly totals for the six months preceding averaging $60 millions. For the first month of the current year, heavy deposits continued, amounting to $62 millions. But February deposits dropped to $25 millions, and March to only $13 millions. Figures for April increased slightly to $16 millions.

The average annual total of postal deposits since the World War has been about $100 millions. During the war it was approximately $130 millions, or $584 millions below the present total. Last year's increase, which more than quadrupled normal totals, was due to timid depositors' avoiding other banking institutions.

Withdrawals have increased slightly, but the fact that savings deposits in other banks have been declining in recent months indicates that this is probably due to necessity of using savings to meet living expenses rather than transfer of postal savings to other banks.

Bank Pool on Bonds May Await Budget Decision

LEADING New York banks are reported to be weighing the advantages of a concerted bond-buying policy to support the bond market. While bonds of the very highest grade are scarce, there are numerous issues which have been unduly depressed lately by institutional liquidation. Concerted action would aim at cleaning up the floating supply of these bonds, at putting surplus reserves to work, at starting the general buying movement sought by the Reserve's easy money policy.

The major problem to date in making that policy effective in the bond market has been to assure coordination of effort. Some banks are chary of buying bonds in any quantity for fear that others will not join in the movement, thus leaving the buyers faced with possible losses through deficient support of the market.

Propose Joint Corporation

Formation of a jointly owned corporation has been suggested. Funds would be provided by banks subscribing to its stock or advancing loans.

The proposal has also been made that a group account be established similar to that formed to support the stock market in the 1929 break. Banks or their security affiliates could subscribe to the account, which would eventually be liquidated or the bonds distributed to the subscribing banks.

Complicating the prospects of pool operations at this time is the fear of unfavorable Washington developments. Joint action by banking in the bond market may have to await joint action by Congress on the national budget problem.

1931 Better Than Expected For Finance Companies

LAST year was kinder to automobile finance companies than might have been expected.

The composite experience of companies reporting to the National Association of Finance Companies showed the average direct loss per repossessed car in 1931 to be less than in any previous year except 1927; repossession ratio on both new and used cars sold with standard down payments (33% for new, 40% for used) increased slightly over 1930; average amount of note purchased was less than in any year except 1925 and reflects general reductions in car prices.

The percentage of new cars sold on instalments was 62.8%, almost identical with that of 1929 and 1930. Percentage of used cars sold on instalments was only 60.4%, less than in any previous year. Total trade-ins, in per cent of new cars sold, was 160%, highest ever recorded but only 4.5% above the 1930 mark. The percentage of long-time irregular paper was slightly greater than in 1930 but less than in

1925, the first year for which comparable records are available. Percentage of irregular paper with less than standard down payments was less than in 1930, much less than in 1925. Since 1925 there has been a trend toward paper with more than 12 monthly instalments. It reached 17.8% of the total in 1931, which the association believes should be checked at once.

Dealers anxious to sell higher-priced jobs (which have a greater profit margin) are not likely to see eye to eye with the finance companies on this, when "only 3 more payments" makes the sale easier.

Federal Reserve Begins Using Securities to Back Currency

THE Federal Reserve Board is now permitting the Reserve banks to use government securities as backing for Federal Reserve notes because eligible paper (available as backing for notes in circulation) has become exceedingly scarce. This action is permitted by the Glass–Steagall Act. Gold backing of notes finally reached the high point of 90%—a wasteful and dangerous way to tie up gold.

The amount of governments pledged as collateral for notes in circulation the first week the new policy was put into effect totaled $97.3 millions. Of this the New York bank used $49 millions. As yet, however, gold and gold notes form seven-ninths of the total collateral.

Discounted Bills Reduced

As a result of their own action of forcing credit upon member banks by purchasing governments, the amount of discounted bills held by the Reserve banks has been reduced by $364 millions since Feb. 24, because member banks have paid off their borrowings by that amount.

At the same time the Reserve banks have reduced their holdings of bankers' acceptances by $90 millions, making a total reduction in their eligible paper of $454 millions. This made it necessary to use additional gold as backing for Federal Reserve notes and cut down the free gold, or the amount of gold held in excess of legal requirements.

As a result free gold has been greatly reduced since the Federal Reserve started extensive open market operations. Without using the provisions of the Glass–Steagall Act, it would have been necessary to stop open market purchases of securities long before this. Furthermore, the System would not be in a position to meet possible future foreign demands for gold. By applying the Glass–Steagall provisions it is now possible to increase the amount of free gold to a level higher than it has ever been during this depression, sufficient to meet any conceivable foreign demand.

The general misconception has been that the Reserve banks will use the privileges of the Glass-Steagall Act to issue more Federal Reserve notes. As a matter of fact, banks cannot issue notes unless there is a demand for them. There is no profit for the Reserve banks in issuing notes, as in the case of the National bank notes; rather the reverse. The act enables the Reserve Board to maintain the existing volume of notes and, at the same time, to pursue open market operations, thereby keeping member banks out of debt and increasing the volume of reserves on which they can expand their own credit.

The Glass–Steagall measure was passed specifically for the purpose of making it easier to meet gold exports or currency drains, but it is now performing the very important function of permitting vigorous open market purchases to be continued—a positive contribution to business revival.

Bankers Must Help Hold the Railroad Bag

THE Baltimore & Ohio Railroad has become the biggest borrower from the Reconstruction Finance Corp. Only one other road—the Pennsylvania—has asked for as much, and all have been glad to get less.

An advance of $25.5 millions authorized by the Interstate Commerce Commission to meet $8 millions of short-term loans on May 25 and to pay one-half of $35 millions of short-term notes due Aug. 10 brings the B. & O.'s total up to $32.5 millions. The commission had previously approved a loan of $7 millions to this road.

The Baltimore & Ohio applied originally for a loan of $55 millions, but pared down its application by paying $1 million of bank loans out of its own treasury, eliminating an item of $4 millions for additions and betterments, and negotiating with the holders for a 2-year extension of half of its Aug. 10 notes.

Can't Call Again

In approving the 3-year loan, the commission stipulated that the B. & O. must not call for help from the Finance Corp. when the 2 years on the bankers' half are up. Its action further illustrates the I.C.C. policy of requiring banks to take a part in railroad relief.

Evidence of this was also seen in the Pennsylvania Railroad's action last week in reducing its application for a construction loan from $55 millions to $27.5 millions, at the request of the Finance Corp. and because of "changed conditions." The road's present plan to raise the other half of the loan by sale of securities through banking and investment channels is significant. In its original application, the Pennsylvania declared itself unable to get bank loans or to raise funds by sale of securities to complete its electrification project.

Rail Salaries, Not Wages, Now Interest I.C.C.

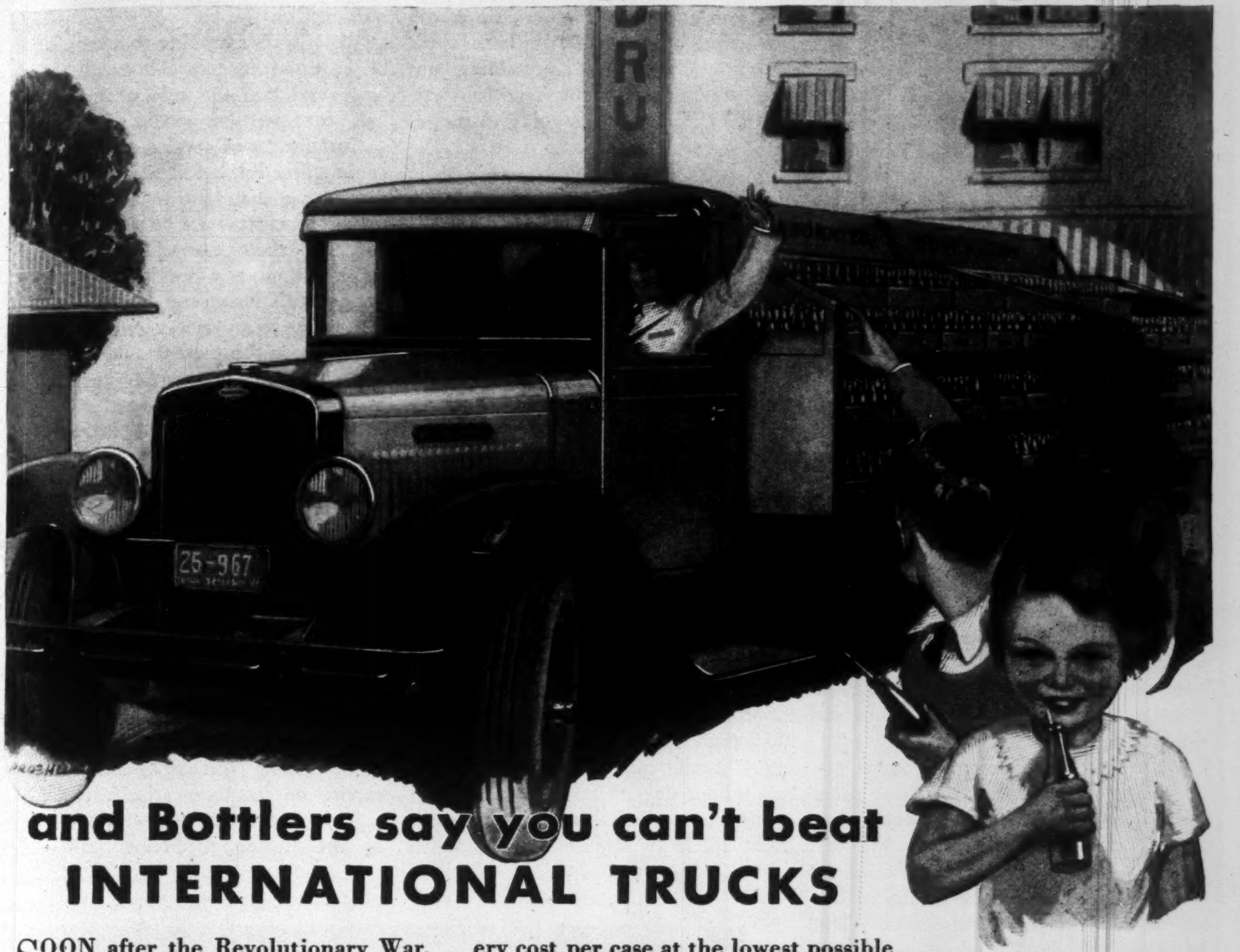
THE Interstate Commerce Commission has turned the spotlight on the salaries of rail executives.

First, it ordered the roads to report by May 23 the number of positions paying $10,000 or more. Then, last week, in approving a small loan to the Birmingham Southeastern Railroad, it suggested that the Reconstruction Finance Corp. might want to make some provision which, while the loan remained unpaid, would prevent this road from boosting its officers' salaries back to levels which the commission once found excessive, but which have been substantially lowered this year.

The I.C.C. inquiry is expected to reveal the extent of salary cuts in the higher brackets, as the roads have been asked to list present salaries for jobs which paid $10,000 or more in December, 1929, besides covering positions paying this figure which have been created since that year. However, they will not be required to disclose the names of men getting these salaries.

Whatever the motive—one explanation given is the number of inquiries received by the commission concerning this matter—it is considered unlikely that the commission's object is legislation to force rail salaries down. If the railroads' reports show that their executives have not taken any extensive cuts,

Bottled Beverages are Popular



and Bottlers say you can't beat INTERNATIONAL TRUCKS

SOON after the Revolutionary War, Townsend Speakman sold a new drink called "charged water" in his Philadelphia pharmacy. In 1807 he thought of adding fruit juices for flavoring . . . and that's how carbonated beverages began!

Today we buy bottled carbonated beverages of many flavors and many names. We drink the products of approximately 10,000 American bottlers, whose annual sales total between three and four hundred million dollars! We down each year the delicious contents of over *eleven billion* bottles!

Quality products, improved production and aggressive selling have all been factors in the tremendous growth and success of the bottling industry.

So has distribution . . . and that's where International Trucks come in! In this industry, where trucks must help to pay the dividends, Internationals keep delivery cost per case at the lowest possible figure. These sturdy trucks are as easy-riding as they are easy to handle . . . and they carry their breakable loads safely and swiftly under any conditions. Last, but by no means least, the striking appearance of Internationals is good advertising for their owners; for bottlers, butchers, and bakers, for businesses of every kind.

There are speed and heavy-duty Internationals to meet the need of every route of every bottler. And there are Internationals to meet the specific requirements, in body and chassis, of every other kind of business as well.

Have the nearest International Branch or Dealer arrange a demonstration to show what International Trucks will do for you, and how economically they will do it. Pick out any model you want, for a demonstration *on your own job!*

The Illustration shows the New 1½-ton 6-cylinder Model A-3

$795

for the 136-in. wheelbase chassis f. o. b. factory. (Dual rear wheels extra.) Other sizes from ¾-ton to 5-ton. International Company-owned branches at 183 points in the United States and Canada.

Hauling at Low Cost

The Coca-Cola Bottling Company of Southwestern Arkansas (Camden, Ark.) kept records on a 2-ton 6-cylinder International for a year and found the operating cost to be under *6½ cents a mile*—all possible costs except driver's wages included. Truck covered 18,253 miles; on the job 312 days; 58 miles per day, mostly on gravel roads. *This example is typical of International economy.*

INTERNATIONAL HARVESTER COMPANY
606 S. Michigan Ave. OF AMERICA (INCORPORATED) Chicago, Illinois

INTERNATIONAL TRUCKS

no legislation will be needed to bring that about. Besides there is a popular impression that, as American industrial salaries go, railroad presidents, at least, are under- rather than over-paid.

In Canada also, railroad salaries have been under investigation. A parliamentary committee has been looking into charges of extravagance on the Canadian National, taking special note of Sir Henry Thornton's $150,000 compensation and, among other things, the 1930 total of nearly $2 millions spent on officials' traveling, entertaining and other expenses. Rumors have followed that the C.N.R. head is going to resign.

Labor Finds That the Railroads Don't Speak Its Language

Hold 6-hour day inquiry "prophetic" of new era, but carriers confine the conversation to costs

INVESTIGATION of the 6-hour day for railway employees, ordered by Congress following the brotherhoods' acceptance of the 10% wage cut, got under way last week. Next December the Interstate Commerce Commission will issue a report that nobody expects to go beyond stating the findings of fact, particularly since the commission has not been called upon by Congress to express definite conclusions for or against the 6-hour day.

As was the case during the recent negotiations on wages, the opposing sides have approached the time problem before them from basically different angles. The railroads are interested in the direct and immediate results of the shorter day on operating costs. The labor unions hold that the question should be considered on a broad philosophical basis to determine the ultimate effects of a 6-hour day on employment in all industries, should it be adopted generally. They believe that what Congress had in mind, in directing the inquiry, was the possibility of relieving railroad unemployment by employing more men at shorter hours, rather than a desire arbitrarily to fix the length of a working day or determine the rate of pay.

New Concepts

Donald Richberg, the railroad brotherhoods' attorney, insists that the 6-hour day inquiry is a "prophetic type of investigation" which may be regarded as a movement into a new era, that the attitude in which a vast group of employed labor approaches this problem is that all industries should be maintained primarily for the purpose of providing a livelihood for those who work in them.

Viewed in that light, the unions' stand looks like another bid for the recognition of labor as a partner in industry.

The fundamental objection of the railroads is that the 6-hour day would work a great hardship on them. In lean years like the present, its adoption at the present daily wage would probably add little to operating costs. Traffic being thin and freight trains averaging slightly more than 15 miles an hour, trainmen can cover 100 miles in little more than 6 hours: yet under the existing 100-mile rule, they are paid for a full 8-hour day.

But for normal times with increased traffic likely to require 8 hours rather than 6 to haul freight 100 miles, the railroads feel that a 6-hour day would increase their wage bill 25%, or $600 millions, on the basis of wages paid in 1930. This is assuming that they would be required to pay the existing daily wage and that the rule of time-and-a-half for overtime would continue.

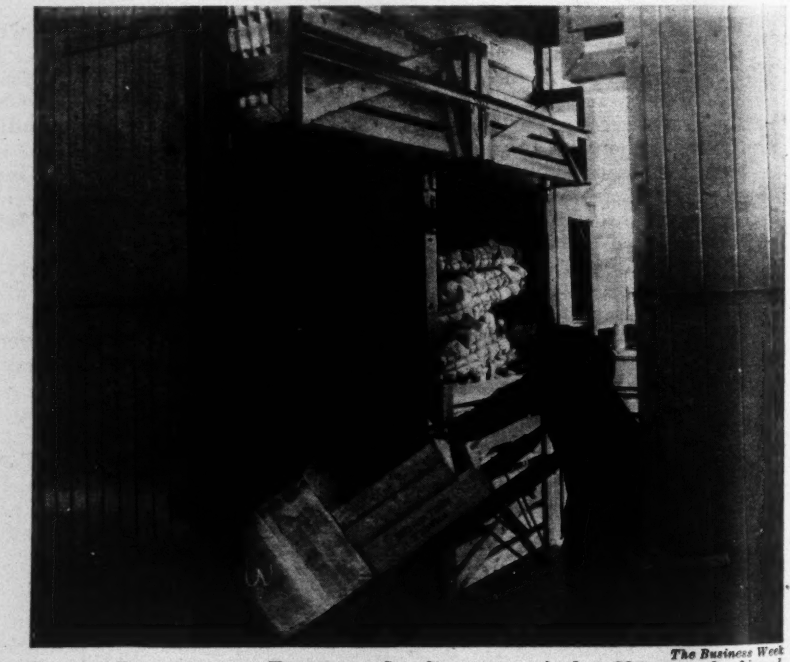
Curtailment of service and operations could offset this additional cost but the carriers say that state regulations would make any curtailment difficult. Besides, reducing their operations would put some of them at a disadvantage in competing with buses and trucks.

A more effective way probably would be to revise the present rule of pay for train and engine service men, which makes 100 miles equivalent to 8 hours of work, or to put employees on a monthly pay basis, with a guaranteed minimum hours of work. The latter plan is being attempted on the Delaware & Hudson (*BW—Feb10'32*).

New England Gets More Store-Door Rail Service

WHILE Eastern railroads remain hesitant, the New England lines are going straight ahead with their plans to extend pickup and store-door delivery service on less-than-carload freight.

This service was recently inaugurated by the Boston & Maine (*BW—Apr*



The Business Week

LOWER BERTHS, FOR FREIGHT—*Loading one of the Chicago & North Western's new compartment cars. There are 4 compartments to a car, each sold on a flat rate basis regardless of weight or commodity*

27'32) and the Maine Central (*BW—May4'32*). Now the Bangor & Aroostook, Central Vermont, Montpelier & Wells River, Rutland and St. Johnsbury & Lake Champlain intend to follow suit.

The new service is expected to be started by these roads around July 1. It will at first apply between the larger cities. Other communities will be provided with the service later as demand arises.

Whether the pickup and delivery will be furnished through the Railway Express Agency, as is done by the Maine Central, or through local truckmen, the plan adopted by Boston & Maine, has not been announced.

Self-Locking Nut Puts The Rivet on the Spot

A NEW rivet-bolt, developed by Dardelet Threadlock Corp., New York, and tested this week at the laboratories of Columbia University, gives great promise as a substitute for the hot-driven rivet in the assembly of structural steel in buildings, ships, bridges.

Advantages claimed: its use eliminates the noise of riveting and the expense of rivet-heating and air-compressing equipment; it requires less labor; produces a tighter joint which reduces slippage; permits dismantling of steel structures without damage. In addition, since rivet-bolts are not heated for use, they can be made of high strength steel to reduce the number required to obtain the desired joint strength.

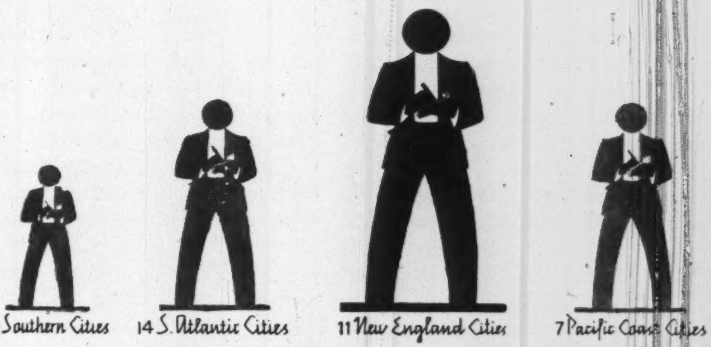
Uses New Thread

Chief feature of the new product is the Dardelet self-locking screw thread, well known to industry, which produces a positive lock between bolt and nut and guarantees against loosening by vibration.

Nuts can be tightened with a wrench to give greater drawing power than can be obtained by heading a rivet. Shanks of the rivet-bolts have a series of longitudinal corrugations whose outside diameter is slightly greater than the hole so that a tight drive fit assures that the hole will be filled and that the rivet-bolt will exert uniform pressure against it.

Only 2 men are required to assemble steel with rivet-bolts: 1 to drive the bolt with a hand hammer, the other to spin on the nut by hand and tighten it with a wrench. While the nut cannot be loosened by vibration or other causes, a turn with a wrench will loosen it at once.

NEW ENGLAND IS USING ITS



CHECK BOOK

There is money in New England and people are *spending* it. During the first three months of 1932, bank clearings in eleven leading New England cities totaled $3,378,627,000 — over a billion dollars ahead of fourteen South Atlantic cities; a billion and a half ahead of sixteen largest cities in the South; considerably greater than twenty cities in the Middle West, including St. Louis, Kansas City, and Minneapolis; and over a billion ahead of seven cities of the Pacific Coast, including San Francisco, Seattle, and Portland, Oregon.

Thus, in the midst of depression, New England is holding its own and maintaining its long-established reputation as the most *stable* market in America.

Experience has proved to hundreds of national producers that the one most practical and profitable way to cultivate New England trade is to *locate* in the territory.

A branch plant or distributing base on *Boston Wharf* property may be *your* next logical move. Here you will find, in a fully developed industrial area, every facility necessary for rapid and economical service to New England customers.

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Food, Largest Item on Budget, Is the Most Stable One

5. The American Consumer Market —A Study by The Business Week

Food is, of course, the largest single item in the American consumer budget, and its production, processing, and distribution is the biggest single business in the country. This is true in spite of the fact that, as shown in preceding articles in this series, its relative importance in the total of consumer expenditures has been declining—from 29.5% of the national consumer budget in 1919 to 23% in 1929.

Table 1 presents the essential facts regarding the retail value of the major classes of purchased food products consumed in the American market from 1919 to 1930. These estimates are based essentially upon data of the Census of Manufactures, the Department of Agriculture and the Bureau of Fisheries relating to production, supplemented by price data of the Departments of Agriculture and Labor and information on cold storage and import and export movements of food products compiled by the Department of Commerce. Special studies of marketing costs offered by trade organizations, cooperative marketing associations, state agricultural colleges and bureaus of business research have also been used.

Throughout the study allowance has been made for imports, exports, and reexports; and, wherever possible, for the movement of food into and out of storage, for price changes during such periods, for spoilage and shrinkage, and for industrial uses of farm products. The most difficult problem in dealing with the food figures has been that of eliminating duplications, which are encountered almost everywhere. For example, milk appears in butter, cheese, ice cream, condensed and evaporated milk products, in bakery products, where, in turn, flavoring extracts, sugar, flour, lard, spices, baking powder, and yeast are used. Accordingly the classification adopted has been based not on the final food product but upon the basic food material, and adjustments for duplications in processing have not been made in the total for each classification, but have been grouped separately and applied to the grand total, along with an adjustment for food sold in restaurants.

Confectionery and soda fountain products, soft beverages, chewing gum, and alcoholic liquors (legal and illicit) are not included under food, but appear under personal expenditures and will be shown in a later article. These items are quite staggering in amount, totaling $3,360 millions in 1929. The value of food sold in restaurants and hotels is difficult to estimate accurately year by year, but the available data indicate that this item averaged about $1.5 billions in the years 1919-30, and amounted to almost $2.5 billions in 1929.

Home Grown Foods Out

Food raised and consumed by farmers, and the products of home gardens, suburban poultry and egg raisers for their own consumption are not included in these figures. The value of this home grown food in 1925 is estimated at about $3 billions, of which about half was raised and consumed by farmers. This indicates that in the peak year 1928 the total value of the food—purchased and self-grown—consumed in the United States was probably about $27½ billions.

In these figures, which are based

Table 1: Value of Purchased Food Consumed in the American Market

(Millions of Dollars)

	1919	*1920*	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*
Meat products	5,982	6,083	5,060	5,104	5,618	5,813	5,650	6,572	6,162	6,513	6,734	5,861
Milk products	4,143	4,398	4,381	4,352	4,938	4,722	4,795	4,961	5,089	5,103	5,004	4,553
Grain products	4,037	3,862	3,087	3,011	2,894	3,040	3,561	3,602	3,993	4,036	3,822	3,419
Vegetables	2,219	2,325	1,784	2,177	2,273	2,324	2,285	2,326	2,356	2,583	2,576	2,342
Fruits	1,465	2,090	1,333	1,880	1,809	1,603	1,945	1,870	1,599	2,091	1,678	1,899
Poultry and eggs	1,256	1,443	1,092	1,097	1,126	1,218	1,289	1,344	1,303	1,416	1,545	1,121
Sugar, sirup and honey	1,142	2,017	720	704	979	976	919	869	870	806	852	704
Coffee	566	599	477	445	526	605	651	753	687	709	724	606
Fish, oysters and sea food	332	316	299	342	375	378	419	429	439	474	531	436
Butter and lard substitutes	310	306	206	217	234	246	253	277	308	317	327	302
Miscellaneous food preparations	257	254	165	186	208	237	259	279	282	285	296	258
Nuts	266	196	144	135	159	148	153	187	223	227	213	164
Chocolate and cocoa	158	165	108	118	127	131	143	154	165	162	161	147
Flavoring extracts	113	122	114	113	110	124	141	143	144	147	160	138
Baking powder and yeast	66	70	76	73	74	94	108	114	124	138	160	142
Spices	64	72	38	58	67	80	98	81	99	102	92	68
Vegetable oils	66	138	41	88	107	41	46	50	46	52	61	49
Salt	58	59	47	53	54	50	51	48	52	52	53	49
Tea	50	61	36	59	74	68	79	78	71	68	65	50
Vinegar and cider	50	51	43	41	40	38	43	43	40	30	32	26
Total	22,600	24,627	19,251	20,253	21,792	21,936	22,888	24,180	24,052	25,311	25,086	22,334
Adjustment for duplications and food prepared in restaurants	1,105	1,078	1,215	1,160	1,058	1,171	1,082	1,014	858	804	694	622
GRAND TOTAL	21,495	23,549	18,036	19,093	20,734	20,765	21,806	23,166	23,194	24,507	24,392	21,712

fundamentally on production data, retail values have not been arrived at by applying any general or blanket ratios to wholesale or original values, but for all the important classes of food products the spread between wholesale and retail prices shown in current market quotations during the period has been used to build up the retail values. This was necessary because of the wide variation from time to time and as between products in the spread between wholesale and retail prices.

40% Spread Too Low

Nystrom estimated in 1925 that the margin between production value and retail price of food products as a whole averages 40% of the retail value. This would seem to be somewhat low, judging from a comparison of the gross cash income of farmers with the results of this study. The total retail value of food produced by American farmers, (that is, excluding imported foodstuffs, fish, oysters and sea food, salt, baking powder, and yeast) consumed in the American market in 1929 was $22,370 millions. The total cash income of farmers from food sold in the American market in that year, according to the Bureau of Agricultural Economics, was $7,278 millions. This indicates that the margin between retail value and farm value was about 67.5% of the retail value in that year, or in other words that the cost of processing and distribution of food products as a whole from the farmer to the consumer averaged approximately 200% of what the farmer receives. A similar comparison for the years 1924-30 indicates that the margin has tended to increase slightly since 1925—from 66.2% in 1925 to 70.5% in 1930—but on the whole has fluctuated closely around two-thirds of the retail value or 200% of the farm value. The farmer thus apparently gets a third of every dollar spent by the consumer for domestic food products as a whole. But it is obvious that this spread varies widely among different food products, and it has been necessary in this study to take account of actual market data on farm, wholesale, and retail prices for particular classes of food in order to arrive at a reasonably accurate estimate of retail values.

Imports Important

Imported food products are in themselves a fairly considerable item in the American consumer market, averaging in retail value about $1,328 millions over the 12-year period; but their proportion to the total is relatively small, and they consist chiefly of products not

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grown at all or not in sufficient quantity in this country, mainly sugar and coffee.

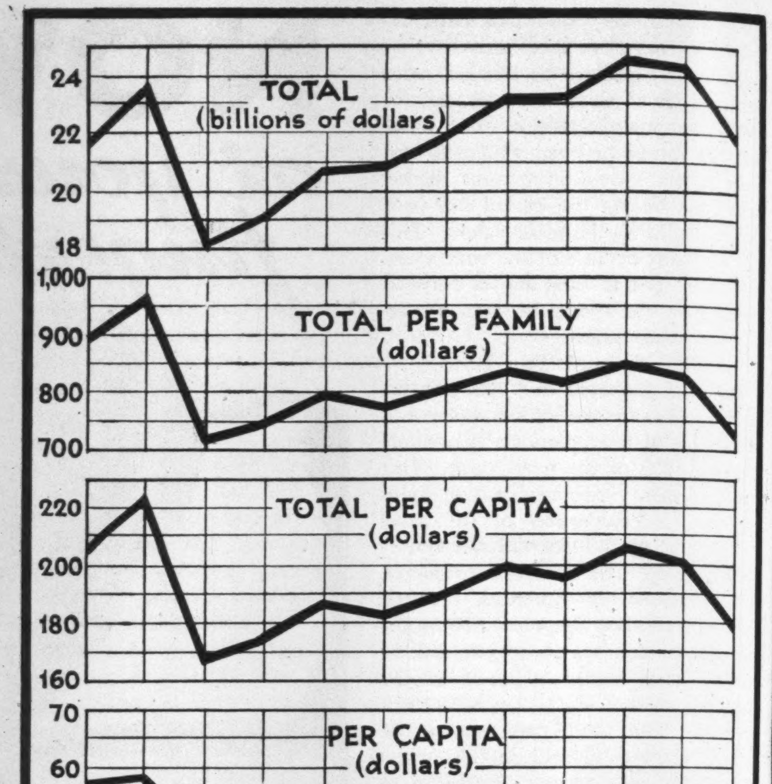
The record of American food consumption as shown by these estimates has few striking features. Meat, milk and grain products, fruits and vegetables, poultry and eggs, sugar and coffee are the bulk of the American menu, making up 92% of the total food expenditures in 1929. If we count out the coffee and sugar, mainly imported, they constitute 85% of the total.

Prices Fluctuate Widely

Food prices fluctuate more widely than those of any other item in the budget and because the amount involved is large the total expenditures as well as the individual items in the food budget show relatively large changes from year to year. Thus in 1920, at the peak of the post-war price inflation, food costs jumped $2 billions over 1919, and fell by more than $5 billions in 1921. Disregarding these fluctuations, on the whole over the entire period the food market has shown no growth out of proportion to the population increase. In fact the per capita expenditure on food has remained fairly stationary since 1919, averaging about $192 a year. The expenditure per family likewise has shown little definite trend over the period, fluctuating around the average of $813. This latter average is a bit higher than a recent estimate of the A. & P. Co., based on its own sales experience, indicating an average family expenditure of between $600 and $800 a year, although the 1930 figure arrived at in our study ($724) falls between these limits.

No Evidence of Change

It is generally supposed that changes in dietary habits of the American people, under the influence of hygienic education and advertising, have been very marked in the direction of decreased consumption of meat and grain and increased consumption of milk, vegetables, and fruits. So far as quantity is concerned, there is little conclusive evidence of this, except as regards milk, which may reflect the influence of prohibition as well as industrial uses of casein. In terms of dollars spent for these types of food per capita there is likewise no indication of any marked change in dietary habits as a whole during the period since 1919. Per capita expenditures on these kinds of food have fluctuated with price changes and with purchasing power more than for any other reason. The food market appears on the whole to be the most stable of all the items in the national budget.



The Business Week

VALUE OF FOOD PURCHASED—*What the American consumer spent for food —in total, by families, per capita, and by dishes on the national menu*

Cleveland Has Accurate Unemployment Measure

A SPECIAL study of unemployment in Cleveland made by Howard Whipple Green, Cleveland Health Council, reveals conditions growing steadily worse, and if typical of industrial cities, gives force to the demands for a national program for relief and new employment.

According to the federal census of April, 1930, which Mr. Green directed for the district, 10% of the gainfully employed of Cleveland were out of work. By January, 1931, when Mr. Green made a special census, 25% were unemployed. In March, 1932, 157,000 or 40% of the city's workers were without jobs. The usual upturn in business from February to March which was expected to return 20,000 to 25,000 to jobs failed to materialize; instead, unemployment increased by 10,000.

The average number of families in the care of Associated Charities has increased from 789 a month in 1928 to 18,921 a month in March, 1932. Forecasts of total 1932 needs place the average number to be cared for at 27,000 families a month. Total money spent for family relief by the organization averaged $22,000 a month in 1928 and has risen to $398,000 in March, 1932. It is estimated to reach $1 million a month by December with total 1932 expenditures of $7½ millions.

Despite these high expenditures, Associated Charities has been able to care for only about 12 families for each 100 unemployed persons.

Wide Reading

Caught in the Trough. Anonymous. *Atlantic,* June. One of the white-collar unemployed writes of new experiences. The depression viewed from a fresh angle.

Rum Row: Western. Robert Dean Frisbie. *American Mercury,* May. How prohibition costs run up; how liquor gets into the country; how futile it is to try to enforce the law. Intimations of the volume of money going to foreign manufacturers. Interesting as fiction.

The Machinery for Measuring Results. H. N. Stronck. *American Bankers Association Journal,* May. The "accidental" profits which banks accumulated in the past were due more to an automatic growth of deposits and a rapid turnover of loan lines than to good management. The future demands management of a higher order.

The American Trend Toward Annuities. Albert G. Borden. *Annals of the American Academy,* May. Story of what's happening in the annuity field. Entire issue of the *Annals* devoted to insurance.

Capitalization Changes as a Result of Depression. Gaines T. Cartinhour and Lloyd E. Dewey. *Corporate Practice Review,* April. Share changes consequent on the declines in the volumes of business and in shares trading.

BOOKS

Unemployment Insurance in Wisconsin. Roger Sherman Hoar. The Stewart Press (South Milwaukee, Wis.), 105 pp., $2.16. Information about the Wisconsin law, recently passed, with suggestions for voluntary insurance plans which may be adopted to prevent its taking effect June 1, 1933.

The Twelfth Hour of Capitalism. Kuno Renatus. Knopf, 246 pp., $2.50. Capitalist trade and industry can only be enabled to function freely once more if interest has only to be paid by the capital which is balanced by a corresponding real asset in the form of fixed or working capital. Creditors must lose either on public loans or private investments.

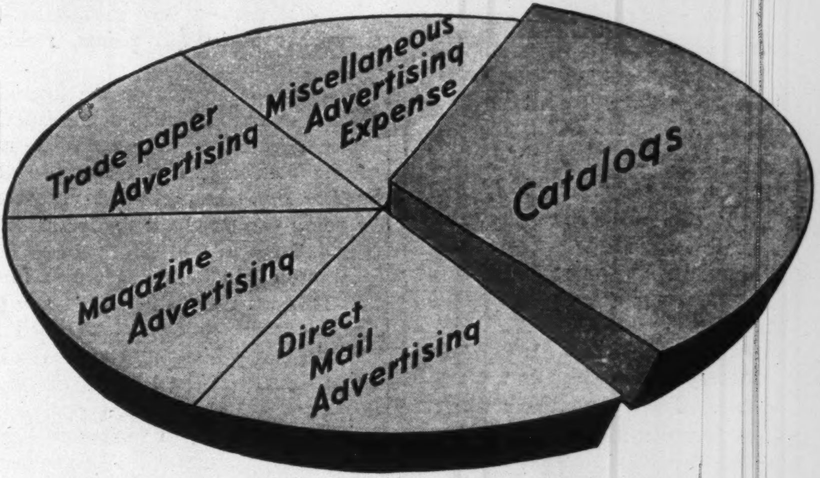
Tested Advertising Methods. John Caples. Harper, 276 pp., $3.50. Results of $6 millions spent in testing advertisements, deadlines, copy appeals, publications, types of illustration.

The Book of Iowa. Published by the state under the supervision of the Iowa State College of Agriculture and Mechanic Arts, 268 pp. Complete survey of the state's resources, factories, retail outlets, buying power, transportation facilities, labor regulations. Valuable to general retailer, advertising agencies. Potentialities for further market development.

Educational Experiments in Industry. Nathaniel Peffer. Macmillan, 207 pp., $1.50. A case-illustrated analysis of how industrial organizations have tried to educate their employees.

The Holding Company. James C. Bonbright and Gardiner C. Means. McGraw-Hill Book Co., 389 pp., $4. Impartial analysis of the super-corporation as a device for combining enterprises in fields of industrials, public utilities, railroads, commercial banks. Simple, lucid style, easy to read.

Catalogs are Getting a Larger Slice of the Appropriation Pie!



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IF HE is honest, and he wants to be, the salesman today will confide that he is bewildered by the apparent ineffectiveness of his sales efforts. He will confide that his company says his sales cost is too high; that he must get more volume to hold his job. But he says frankly that he doesn't know what to do about it.

There are thousands of men in this position who are merely purveying merchandise. They plan their work as they did in 1928 and 1929. Men who are mapping out their activities from day to day as they did when order taking was the fad, but who have lost their zest because the old methods won't work.

The farsighted executive of a progressive organization who is cognizant of this condition is looking for a man who is equipped to develop a method of sales control that will be effective in today's market and tomorrow's; a man who is able to interpret this method both to the sales organization and the management in terms of decreasing sales cost and increasing volume; a man who has sold intangibles successfully, has directed salesmen, knows modern merchandising and who understands the advantages of selective selling.

▼

I am that man, 37, married, college education, Protestant. Box 205.

THE BUSINESS WEEK
330 West 42nd Street
New York City

This Increase in Small Plants Looks Like Decentralization

EXECUTIVES of highly centralized industries, national distributors, transportation officials, are attempting to fathom the significance of a definable movement of industrial concerns and an unseasonable crop of new manufacturing enterprises at various points, making chiefly consumer goods.

Dependable records on the location-changes of old industries or the launching of new industrial concerns are not readily obtainable but a special study by *The Business Week* has uncovered interesting and perhaps significant data.

New to Philadelphia

According to the Philadelphia Business Progress Association, 1931 saw 99 new industrial concerns established in Philadelphia while 22 concerns with headquarters elsewhere set up distributing branches there. Among the new industries 42 were in various branches of the textile industry, 13 in the metal and metal products field, 5 each manufactured foods, leather goods, lumber and wood products, 4 chemical or allied products, 6 were in paper and printing, 19 made miscellaneous products.

The movement continues. During the first 3 months of this year 44 manufacturers set up shop in Philadelphia, 22 in textiles, 9 in the metals field, 2 each in chemicals, food and leather, 7 miscellaneous.

The state of North Carolina reports through its Department of Conservation and Development, that during 1931 it added 102 concerns to its list of new industrial plants. These included 28 in the food industry, 12 makers of hosiery, 15 of other textile products, 8 furniture, 7 chemical and drug, 5 clothing, 5 wood products, 4 fertilizer manufacturers.

New England Gains

Records made available by the New England Council indicate that new industries continue to be attracted to the highly industrialized areas of the 6 New England states with their 6.7% of the country's population, 9.15% of its manufacturing.

New industries reported during 1931 were: Connecticut 37, Maine 10, Massachusetts 264, Rhode Island 24, New Hampshire 8, and Vermont 3. Of 16 plants known to have removed to New England from other locations 6 came from New York, 5 from New Jersey, 1 from Pennsylvania, 1 from Illinois.

During the first 3 months of 1932 the New England states gained 82 plants including a brass foundry, wire and cable manufacturer, several oil burner, shoe and leather goods companies, producers of food and allied products, and a large number of makers of wearing apparel, novelties and various consumer goods.

Why They Moved

Removals investigated by *The Business Week* indicate that substantial reductions in fixed overhead charges, taxes, insurance or better labor conditions were generally the deciding factors in a shift. Some plants have been operating in old buildings under unsatisfactory conditions because they have feared serious losses in sales volume and customers if they interrupted production by removal while business was good. They are using present low costs and the current advantage in bargaining with property owners, to get established in more desirable, less expensive quarters. Others are studying distribution, developing new products, and are now changing to locations that offer better opportunities for quick shipments to what they have found to be their most important markets.

Foresee a Realignment

Manufacturers of nationally distributed consumer goods wonder whether the increasing number of small manufacturers may force a decentralization of production, result in an eventual realignment of production and distributing facilities. For instance, they consider it decidedly significant that North Carolina, up to a few years ago a cotton-growing state, should in one year attract 28 new manufacturers of food products and predict that, as a result, manufacturers who have been shipping their product into that state may shortly find their market dwindling.

Makers of various staples of wearing apparel, as well as those making style goods, believe that many of the smaller manufacturers who have located in Philadelphia and Boston—and probably in like proportions in other large cities—expect to supply only the local markets; they also suspect that because of low overhead, small selling expense and fast turnover on a small investment these small local competitors can obtain a definite portion of the local sales volume at a profit.

Figures Measure Plight Of the White Collar Man

WAGE cuts in unionized trades have been accompanied by sound, some fury, and plenty of statistics. The plight of white collar office workers has drawn emotional comment lacking in definite figures. A recent survey by *Management Methods* covering 218 companies with 111,700 clerical workers indicates what has happened in this field. Surprisingly, no flat salary cuts have been made by 65 companies employing 45% of the total covered by the survey. The average reduction is 14.1% for the 62,000 who have had cuts. Most frequent slash was 10%; one was 43%.

Since Jan. 1, 1930, the 218 companies have reduced the number of clerical workers 19.4%. Average reduction per company has been 14.9%, an indication that employees of the larger companies have been hardest hit. On the basis of the survey, between 700,000 and 800,000 clerical employees, out of a total 4 million, have lost their jobs.

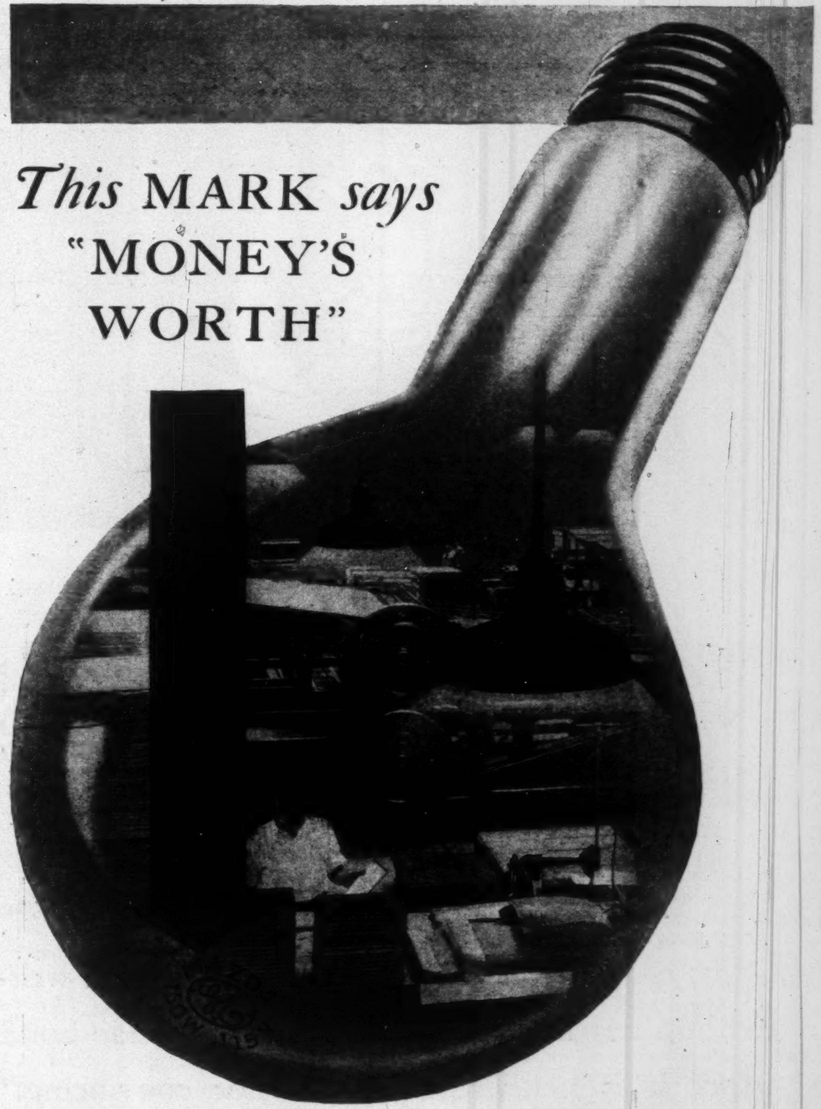
Generally, manufacturing concerns were first to cut. Banks and insurance companies followed in the order named. Nearly all reporting companies have suspended salary increases, the smaller concerns being last to take such action.

While flat cuts were the usual device, some organizations applied a sliding scale, slashing largest salaries deepest.

G. M. Savings Plan Out for the Duration

BECAUSE of the current business situation and need for further operating economies, General Motors Corp. has suspended operation of its employee savings and investment plan, inaugurated in 1919, under which the company contributed 50¢ for every dollar—up to 20% of his earnings or a maximum of $300 per year—contributed by each employee. Plans subscribed to up to Apr. 30, 1932 will be allowed to mature in the usual way, but no new classes will be opened until conditions improve.

To secure his share of the company's contribution to the savings plan the employee has to leave his savings in the fund for 5 years during which they accumulate interest and dividends and more than triple their value. Employees investing the maximum of $300 in 1925 received on Jan. 1, 1930, cash and securities valued at $1,054. Aggregate employee contributions in 1925 were $2,486,000; on Jan. 1, 1931, the fund had grown to $8,707,000.



ANY LAMP that is not as efficient as an Edison MAZDA Lamp is a poor bargain, because it gives less light but costs just as much to burn. In fact, half a dozen Edison MAZDA Lamps might be bought with the money that is paid for current consumed wastefully by one inefficient lamp.

To be economical in the use of current, a lamp must be made to precision standards as fine as those required in the most delicate watch. In making Edison MAZDA Lamps, General Electric works to infinitesimal parts of one per cent, and inspects and tests 480 times from raw material to finished product. When you use Edison MAZDA Lamps, you can be certain of the three essentials of good lamp performance—life, efficiency, and economy.

For free information on correct lighting of your establishment, write to the General Electric Company, Nela Park, Cleveland, Ohio.

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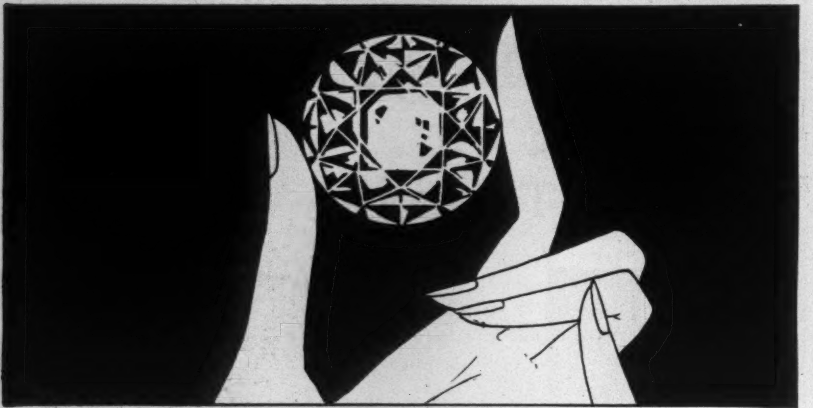

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If a gem worthy of being set in an ornament of gold be set in lead, it neither tinkles nor shines; the blame belongs to the setter. —HITOPADESA

Or its modern version would read "If a well written business letter is typed on a low grade bond paper it is neither impressive nor convincing." Choose Lancaster Bond, "The Aristocrat of Bond Papers," for the "gold setting" of your business or professional correspondence paper.

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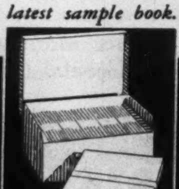
Papers



Lancaster Bond is now obtainable in convenient executive cabinets size ——— with envelopes to match from the Kalamazoo Stationery Company, Kalamazoo, Michigan.

Latin America Threatens To Hit Back at Tariff

RUMORS of an anti-United States customs union campaign are coming out of Lima, Peru. They started as a result of the recurrent talk in Washington of an import tax on copper. Between 15% and 20% of Peru's exports are copper. The United States is her best market for the metal.

Chile has been asked by Lima to join in a pact to boycott the United States if the copper duty is levied. With nitrates, copper has long been Chile's major export. And there, too, the United States is the most important outlet.

Sees No Alternative

Summarizing the attitude of the Peruvians, Foreign Minister Alberto Freundt Rosell said:

"Passage of the proposed duty on copper would mean absolute ruin to Peru and Chile, so we have no alternative but to take concerted action. It would cause the immediate closing of the Cerro de Pasco Co., throwing between 10,000 and 12,000 men out of work, followed by the paralyzation of the Central Railroad of Peru, isolating the interior from the capital and decreasing by 30% Peru's customs revenue (main source of government income)."

American foreign traders are more concerned over the implications than the immediate threat. Our trade with both Peru and Chile has resulted quite consistently in a balance in their favor. This has been particularly true in the case of Chile.

Rapprochement Moves

Opposed to the tariff lobbyists in Washington, are 2 groups in particular: those who see the fallacy of high tariffs in the impasse of quotas, embargoes, and reciprocal tariffs which have been raised throughout the world until foreign trade has been cut to less than half its normal volume; and those who see in closer economic relations with Latin America a chance to save ourselves from the growing agitation in Europe to work out of the present mess by forming great economic units of which the British Empire, and possibly Central Europe, may be the first two.

Peru's open move to organize opposition to the United States recalls a similar gesture by Argentina several years ago. Washington is perturbed. Plans for reciprocal trade agreements with the countries to the south, proposed by such authorities on Latin America as Wallace Thompson, have been getting a hearing in the capital, may get action before the depression is over.

Transatlantic Industry Appoints A Czar to Check Competition

ON no ocean trade route is the competition for business more severe than on the North Atlantic. Not only have shipping interests in various countries competed with those of other countries, but they have competed with their own nationals.

Cooperation began 2 years ago, when the 2 great German lines entered into a pooling agreement. Italy followed suit by merging its 3 great transatlantic lines into the Italian Line. Later, the major American lines came under the single control of the Roosevelt–International Mercantile Marine management. In the Pacific, the Japanese made pooling agreements.

Now the Atlantic passenger conference has gone one step further, has appointed an over-all "dictator." In the recent meeting of the conference in Paris, Emil Lederer, popular and capable New York director of the Hamburg–American Line, was given absolute powers over the North Atlantic (and Mediterranean) shipping of 11 nations. Included are lines flying the flags of Denmark, Holland, France, Italy, Great Britain and Canada, Poland, Norway, Sweden, Germany, and the United States.

Keystone

SHIPPING CZAR—*Emil Lederer, who will try to keep the peace in transatlantic passenger traffic*

The appointment of a dictator is expected to check the unfair and wasteful competition which is cutting into meager profits, increasing losses. Under his supervision companies which have been guilty of cutting rates below those agreed upon by the conference will be brought into line; the recent fare reductions will be adjusted where they prove unprofitable; the desire to regrade ships will now be considered by all members; ruinous competition in the short cruise service will be ended by rationalized schedules; and, finally, steps will be taken to organize the withdrawal of tonnage on a fair basis.

Facilities Up, Traffic Down

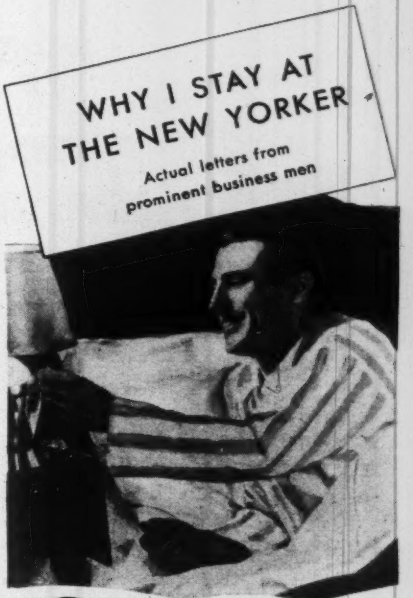
Merchant marine tonnage in 1913 was 49 millions; in 1931 it was 70 millions. Further, the post-armistice liners attain greater speeds, while the facilities for loading and unloading at the ports have been improved so extensively that turn-arounds can be made much more quickly.

Ocean traffic, on the other hand, has gone down. Passengers carried between New York and the Channel ports in 1913 numbered 1,790,000. In 1931, the total was only 560,000.

Mr. Lederer—the newly-elected dictator—is a German who has spent most of his business life in New York and nearly all of it in the shipping business. As long ago as 1895 he was in charge of the important third class department of the line in the United States and Canada. Shipping men know him as a capable executive, a severe critic of the unregulated short cruise service of the last 2 years. He was the man who encouraged cooperation with Luft Hansa (Germany's air service) in arranging air tours for tourists to Europe, who was in charge of the bookings on the *Graf Zeppelin's* return trip in 1929.

Plenty of Opportunity

Much can be done for the transatlantic passenger business if Dictator Lederer can enforce cooperation on the part of the members. Present conditions are serious. No line is escaping. The need for cooperation is urgent. What has been accomplished by closer cooperation among the various nationals may now be extended to the entire conference working together under the leadership of a dictator.



WHY I STAY AT THE NEW YORKER
Actual letters from prominent business men

"Quiet rooms... fine beds... *always a good night's rest*"

SAYS CLEVELAND EXECUTIVE

"WHY do I always stay at the Hotel New Yorker?" says the president of a leading Cleveland travel bureau. "For many reasons, but especially for their quiet rooms and wonderfully comfortable beds. When you're hustling around New York all day, it's worth a lot to *know* you're going to rest well at night. You do when you're at the Hotel New Yorker."

• • •

2,500 rooms—*over five hundred splendid ones for only $3.50 a day.* (Detailed description below.) Four separate restaurants; delicious meals; reasonable prices. See for yourself how little the *best* costs—at the Hotel New Yorker! Just three minutes from Pennsylvania Station by private tunnel.

ALL THIS FOR AS LITTLE AS $3.50 A DAY

Quiet, airy, outside single room with tub and shower bath, luxurious bed, circulating ice water, Servidor, bedside and dresser lamps, full-length mirror, Stromberg-Carlson radio (4 programs).

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RALPH HITZ, *President*

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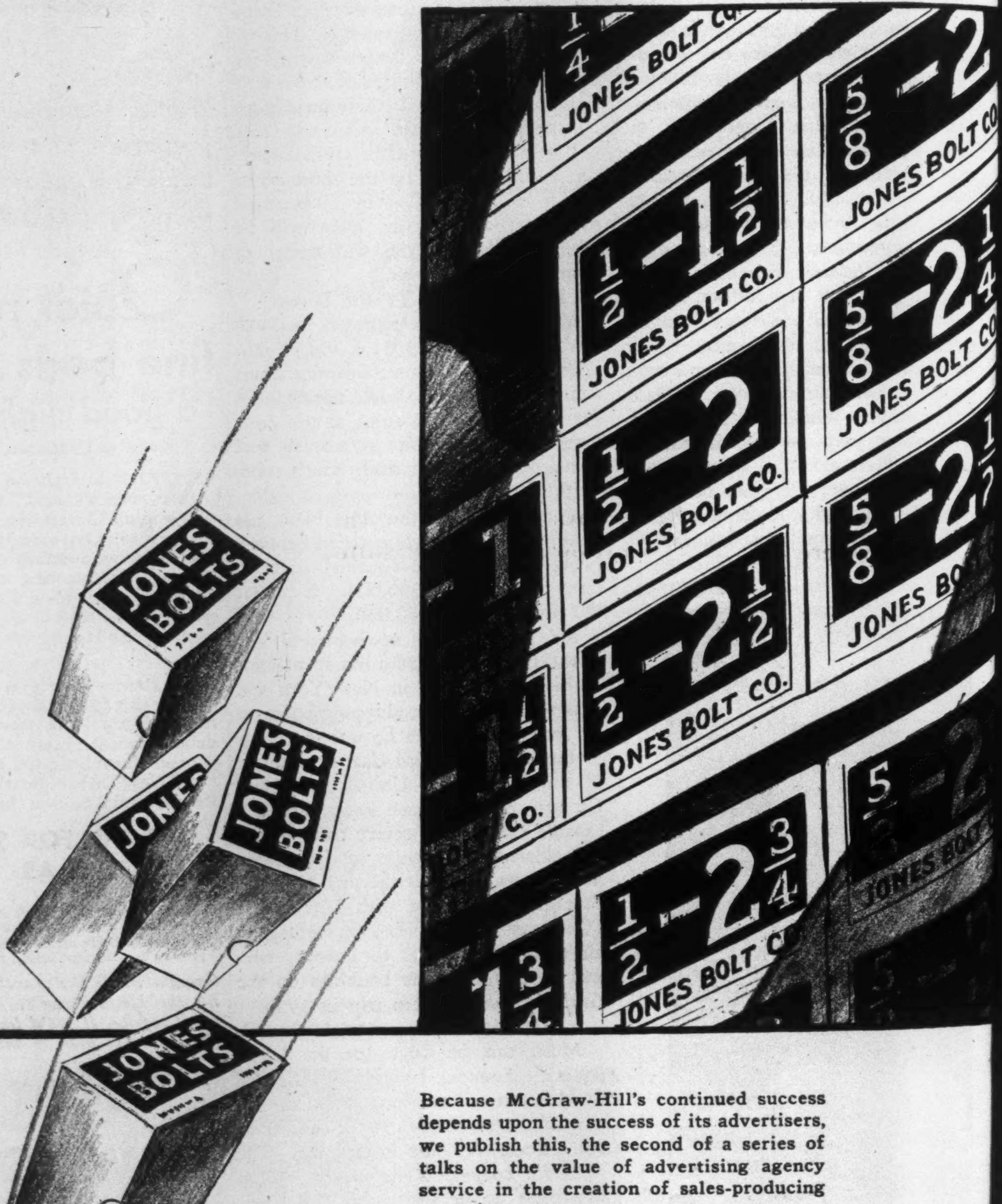
JONES BOLTS
JONES BOLT CO.
1/2 - 1 1/2
1/2 - 2
1/2 - 2 1/2
1/2 - 2 3/4
5/8 - 2 1/4

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the second of a series of talks on the value of advertising agency service in the creation of sales-producing campaigns.

killed the client's "sacred cow"

. . . but sent sales soaring!

For forty years, this manufacturer had been making bolts. He was proud of his product—so proud that his name dominated every box.

Then an advertising agency entered his sales picture. "Keep your name on the package but put it down in the corner," said the agency. "A bolt's a bolt and your prospects and customers are interested in something besides your name. They're interested primarily in what size and style it is. Print this information in large type where they can spot it quickly on the shelf and they'll have a new reason for specifying your brand."

The agency finally won out. The sacred cow was killed.

Of course, it hurt. But soon increased sales came as a healing balm. That new package, together with good, sound advertising, caught the eyes of bolt buyers. It sent sales soaring.

Often the key to greater sales is in the package of your product. Often it's in the product itself, or in your customers' needs, or in a variety of other places. Wherever it is, the modern advertising agency, with the knowledge and facilities for marketing and research, will find it.

The day has passed when the advertising agency simply prepared and placed advertisements. Today the agency, with its staff of specialists, is a full-fledged sales counsel—and a mighty helpful one. Designing the package, naming the product, finding new uses and new markets, lining up distribution, preparing dealer helps—these are just some of the agency services outside of the regular preparation of the advertising.

And the preparation itself needs to be skilfully done. It calls for sound planning based on a knowledge of merchandising, forceful copy and art work, intelligent choice of publications, technical knowledge of printing and reproduction. All these functions the agency is well equipped to handle capably and economically.

McGRAW-HILL
PUBLISHING CO.
INCORPORATED
330 West 42nd Street • New York, N. Y.

The case described above concerns a bolt company. But the fundamentals of advertising and selling are the same for every product. It might just as well have been a battery company or a file company or an oil company. It might have been *your* company!

Business Abroad—Swift Survey Of the Week's Developments

The outlook is dark. . . . Eastern Europe is collapsing. . . . Austria is faced with default or starvation. . . . Rumania has clamped down Europe's most drastic exchange restrictions. . . . Poland and Czechoslovakia are losing their grip. . . . Temporary outward calm in Germany hides the probability of an imminent civil-military dictatorship. . . . Britain is tense, expectant. . . . French confidence is shriveling. . . . The Continent is at a turning point, is placing one last wan hope in Lausanne. . . . Japan is more seriously involved in the political shuffle. . . . Immediate key to the situation is Austria, which should be watched closely in coming weeks.

Europe

EUROPEAN NEWS BUREAU (*Radio*)—There is no sign that the progress of economic disintegration in Europe is abating. Conditions are slowly but steadily coming to the boiling point. The declaration of the long-pending Austrian transfer moratorium, which is likely to have as widespread repercussions as the collapse of the Credit-Anstalt last year, is being delayed only to permit the Financial Committee of the League of Nations to make a hurried, last-minute visit to Vienna. The Austrian government hopes the committee, after examination of the situation, will agree that a moratorium can no longer be avoided under existing conditions.

Rumania, during the week, has inaugurated the most stringent foreign exchange regulations in all Europe. Both Rumania and Poland have again appealed to France for further loans. Rumania, with the government virtually bankrupt, is in desperate need of $40 millions to meet internal payments, and Poland must have $10 millions to sustain its currency.

Hungary is about to resort to import embargoes. Switzerland has promulgated a series of import restrictions as a preliminary move toward a system of virtually government-controlled import monopolies on certain commodities including cereals, fuels, lubricants, tobaccos. Probably automobiles and timber will be included later.

In Germany, it is increasingly evident that the momentary political lull is no more than the proverbial lull before the crisis. It is no longer a question of whether or not the Nationalists' policies will dominate. The question now is who will administer them—Bruening, Hitler, or a military camarilla probably headed by General Schleicher, now chief of staff.

The point has been reached where economic and political organization in Europe, set up by treaties, is breaking down. It must be recognized that Europe is finally entering upon a period of basic revisions of those treaty provisions which many have long recognized as ultimately untenable. What will be the outcome cannot now be foreseen, but the rapidity with which these conditions are shaping toward a political shakedown on the one hand and economic paralysis on the other, indicates that reparations—regarding which no definite settlement is possible before the elections in the United States anyway—will soon be no more than a secondary issue. Issues which probably will come to the front at later conferences if not at Lausanne will be: (1) Recognition of a national status for Germany equal to that of other countries; (2) Economic reintegration of the Danubian area. Beyond these lies the problem of revising Europe's numerous arbitrary treaty-made frontiers.

Focus on Local Difficulties

The European public is preoccupied now in each country with increasing local economic difficulties, and is yet little aware how ominous the general outlook is. Last week, suspension of activity was due largely to Whitsuntide holidays. Commodities remained weak, except wheat. Securities were governed by local factors, were irregular. Financial conditions were featured by the boom in British gilt-edgeds presaging the possible 3½% open market money rate as the foundation for the huge war loan conversions.

On the exchanges, the buoyancy of sterling has diminished since last week's cut in the bank rate, and this, plus the political uncertainty in France, has reduced pressure on the dollar. The peseta is showing signs of basic recovery. Bolivia's going over to a virtual "tin standard" is greeted as a novel tieup between its principal export commodity and currency.

International News

LAST INSPECTION—*Tokyo's "sly old fox," the late Premier Inukai, cared little for warships, knew their importance to Japan, visited the nation's newest shortly before military-naval radicals assassinated him. Probably his successor will need to form a coalition cabinet sanctioned by the militarists and including representatives of the Fascist party if he is to stand*

The pending Austrian moratorium, unless it exempts the so-called "League loans," will affect approximately $500 millions of foreign debts, of which $200 millions are owed to the United States. This includes $81 millions of municipal and hydro-electric issues, $50 millions of League loans, $40 millions Credit-Anstalt credits, $12 millions for short-terms, and $25 millions due the United States government.

Austria has little choice in the matter. With exports throttled to the vanishing point by trade barriers, it must either use the little remaining foreign income to pay for indispensable imports of raw-stuffs and foodstuffs or, by maintaining the servicing of foreign debts, risk absolute economic collapse and wholesale starvation. The repercussion will be particularly heavy in London where the banks hold large Austrian commitments; and in Germany and Czechoslovakia.

Broadly speaking, this event will probably mark the turning point in Central and Eastern Europe's long struggle against default, will lead toward general suspension of debt payments.

Germany

Country experiencing lull before the storm. . . . Many gloomy reports, but undertone, paradoxically, slightly more optimistic. . . . Whether Lausanne is a success or a failure, Germany is likely to make it the turning point away from Versailles curbs, and towards national equality.

BERLIN (*Cable*)—Conditions in Germany this week simulated perfectly the proverbial lull before the storm.

Politically, of course, the country is upset. The short session of the Reichstag ended in a flurry and abrupt adjournment when the Nazis refused to be throttled. In the next few weeks the cabinet must be re-formed following the forced resignation of General Groener, Bruening's right-hand man. Hitler policies have won. Who is going to enforce them? Just now there is a widespread feeling that Bruening may remain at the helm but with a cabinet into which he will be forced to bring representatives of the National Socialists (Hitlerites). Bruening is still the leader but his policies include more and more the features of the Hitler program.

Despite this political uncertainty and the gloomy outlook for Lausanne, and undeterred by the Nazis anti-capitalist declamations in the Reichstag before the session was terminated, business continued last week to develop a stronger undercurrent of optimism. The Boerse was quiet, with prices only moderately irregular Bonds were steady. The industrial situation is still grim but there was a flicker of encouragement in the slight increase in domestic business last week. Foreign orders, however, were down.

April Foreign Trade

Foreign trade for April was disappointing. The balance remained in Germany's favor, but dropped from the March high of $40 millions to only $14 millions. Exports declined, due to smaller shipments to Russia and England. Imports were larger despite the more drastic regulations on foreign exchange. Already, Berlin has decreed that the allowance of foreign exchange for imports will be cut a further 5%, from 55% to 50% of normal. This should help maintain a favorable trade balance, essential if foreign interest charges are to be met, without cutting too seriously the volume of incoming essentials in the way of food and raw materials since prices of most of these essential products are declining steadily.

The cost of rescuing Germany's banks in the recent crisis was revealed for the first time in the recent debates of the Reichstag. The total ran to more than $265.7 millions, was itemized briefly:

	(*Millions*)
Purchase of shares	$80.6
Advances to the banks (recoverable)	73.1
Subsidies	44.0
Guarantees	68.0
	$265.7

To these amounts have yet to be added the $100 millions representing the guarantee of the Reich to foreign creditors of the Danatbank which subsequently was liquidated and absorbed by the Dresdner Bank.

German Banks

In the course of the same debate, Dr. Dietrich, Minister of Finance, stated that the government disapproved extreme centralization of the banking system of the country and that a system of regional decentralization will be backed as soon as conditions become somewhat more normal.

The Federal Railroad Co., owned and operated entirely by the government, has just issued its 1931 report. Receipts dropped 16%, compared with 1930, and 28% when compared with 1929. At the same time, in spite of strenuous efforts, expenditure could only

ENGLAND'S TARIFF WALLS

What Then?

RECENT economic trends have forced the issue . . . to make money in England, your merchandise must be "Made in England."

Tariff walls are rising. England's rejection of the gold standard puts America's exporting to England at increased disadvantage.

Yet, every trade difficulty is overcome by establishing a factory in England. We can help you find both building and location. Our files contain full information on wages, taxes, labor supply . . . floor plans and photographs.

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London, Midland & Scottish
Railway of G. B.

[LONDON, MIDLAND & SCOTTISH CORPORATION]
Thomas A. Moffet, Vice-President—Freight Traffic
1 Broadway, New York City

be reduced 11% below the 1930 level, and 19% below 1929. Even since cessation of reparation payments, gross profits of $54 millions were insufficient to cover fixed charges. Another $102 millions has had to be taken from surplus this year.

Reichsbahn Deficit

The Hoover holiday has, nevertheless, improved the cash position of the company. Under the present arrangement, the roads are paying to the B.I.S. for the account of Germany, $11 millions a month which are immediately returned to the Federal Railways, but as a loan, thus increasing the ultimate debt of the railroads.

France

Political flux causes uncertainty. . . . Bourse prices down. . . . Employment slightly improved, but industrial activity unfavorable. . . . Government forced to borrow.

PARIS (*Wireless*)—France's economic position was not clearcut this week.

In the first place, the recent political victory of the Radical-Socialists still leaves immediate future political prospects uncertain because no one party has an actual majority. Politicians are in the process of bargaining now. During the week the Socialists declared themselves in forthright style by adding to their program a demand for a 40-hour week to replace the present 48-hour week and thus spread employment. It is a radical step. Conservative Frenchmen are not slow in pointing out the similar move in Germany recently.

Poland Worried

Another angle from which politics are affecting business influenced sentiment this week. On June 20, Paris and Warsaw must consider renewal of the Franco-Polish defense pact which has played an important part in French postwar policy. Though it has never been invoked, this pact between the French and their satellite to the east of Germany has caused more Franco-German and Germano-Polish friction than almost anything except the Corridor problem itself. Now, France seems to be courting German favor, turning cold to the old Polish alliance. There are 2 reasons: Rapprochement with Germany holds more trade possibilities; continued alliance with Poland almost surely demands more financial aid which French financiers are increasingly less interested in granting.

General business during the week continued to be less favorable. Unemployment declined slightly but a further drop in industrial activity indicated that this trend might soon change. Internal prices, as a result of trade restrictions, are again rising. This is making it difficult for industry to force the wage cuts which are necessary for internal financial, as well as competitive, reasons.

The Treasury has published a decree authorizing the issue of 3 to 12 months Treasury bonds up to a total of $120 millions bearing 1¾% to 2¼%. This is the first time the government has had to resort to further borrowing since the stabilization of the franc in 1926 and indicates that the reserve of $780 millions built up by Poincaré and Cheron has been exhausted. The public is demanding a statement of the country's financial position.

Great Britain

Business quiet; City nervous. . . . War loan conversion operation likely to await 3½% rate. . . . London believes only drastic action at Lausanne can prevent European collapse.

LONDON (*Cable*)—British business has lagged this week, due principally to the Whitsuntide holiday, though manufacturers are frankly disappointed at the ratio of orders to inquiries.

Interest is centered now in the financial market. The public has long expected that the great war loan conversion, anticipated since last spring, would come when the refunding could be on a 4% basis. Now, with the trend still downward, it seems likely that there will be a further short delay until the operation can be made on an even cheaper, possibly 3½%, basis. In the meantime, giltedge securities have been active and industrials steady with small turnover.

The Bank of England's surprise purchase of £2 millions of bar gold at an estimated cost of £2¾ millions is believed in the City to be a part of the policy of the government's new exchange fund operation. The supposed source is South Africa where the gold is thought to have been held in storage on African account.

London is extremely anxious over the Austrian situation, is hopeful that this object lesson of the results of the present crisis in Central Europe will force that issue before the Lausanne conferees. Only by prompt readjustment of trade barriers can complete European collapse be prevented.

Far East

Political conditions upset Far Eastern **business. . . . Stock and** commodity **exchanges closed in Japan**; yen exchange **down. . . . Uncertainty** likely **to continue. . . . Railroads** in Manchuria **rushed. . . . China** relatively **quiet. . . . Siam abandons** gold.

JAPAN'S "reign of terror" was shortlived, but it affected business unfavorably this week, has further weakened confidence that conditions will soon mend in the Far East.

Following the assassination of the Japanese premier, the man who was fondly called the "sly old fox" when he agreed to head the Seiyukai government last winter, Japanese stock exchanges and all of the principal commodity exchanges closed. Yen exchanges sagged on foreign markets but failed to drop to the low point touched at the time the Shanghai affair started. Japanese securities on foreign markets were under pressure for the first few days after the assassination. Silk prices were down, but scarcely more than the depreciation of the yen.

Tokyo Unsettled

Conditions in Tokyo are still unsettled but there is prospect of a coalition cabinet which will have the sanction of the military officials and which may have the support of the more nationalistic elements of the various parties. It is not likely, however, that conditions in Japan will return to normal for some time.

Developments in Manchuria have been overshadowed by the Tokyo affair, but activity has not slackened. As rapidly as Japanese troops are removed from Shanghai they are transferred to Dairen and rushed to northern Manchuria where Japanese forces have been unable yet to put down native Chinese uprisings and bandit attacks. Further Russo-Japanese friction is anticipated, though both Moscow and Tokyo deny that there are any serious differences between them.

Japan Has Aggressive Plans

World business interest is concentrated on the rapid progress of Japanese plans to push railroads in Manchuria. Five new lines radiating from Changchun, new capital of Manchuria, are planned and work is being pushed as rapidly as possibly. This emphasizes Japan's aim to get control of northern as well as southern Manchuria and to turn the tide of transport in this region from Vladivostok or Dairen to 2 new ports which are being developed in northern Korea. It will intensify future economic rivalry between Japan and Russia, though it is not to be denied that the potentialities of the area justify more than the 2 old outlets at Vladivostok (which is open only a part of the year), and at Dairen (which is more than 600 miles south).

Reports from China during the week were meager, intimate that the volume of business is still below normal but that the threatened spring civil outbreak has not materialized.

Siam has abandoned the gold standard.

Latin America

Peru and Chile threaten tariff retaliation if the United States levies a copper duty. . . . Cosach problems still acute. . . . Refrigeration conference in Buenos Aires.

THE most dramatic development in Latin America last week, at least as far as American business is concerned, was the declaration by the Peruvians that legislation of a copper tariff in the United States would surely force them to create retaliatory tariffs up to 300% against American imports (page 24).

In their declaration, they imply that Chile will join them in any measures, since both countries depend heavily on copper exports for their government revenues. In both cases, copper mining is largely under the control of great United States interests.

Peru also announced that the country has formally abandoned the gold standard.

Chile Has Troubles

As Cosach negotiations progress in New York and London, and the depression continues to affect the Chilean nitrate industry, the outlook for the great nitrate company becomes increasingly less favorable. Just now there are rumors that Chileans are demanding a fresh investigation of the company's reorganization.

Varied American interests in both the continents of the Western hemisphere are awaiting further announcements concerning the Sixth International Congress of Refrigeration which is to meet at Buenos Aires in August. Not a few authorities paint a bright picture for the South American countries in the future if some of the processes of refrigeration being tried now, and successfully, on the United States markets can be transferred to important sources of food supply in South America.

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Electric and gas utilities enjoy unusual stability of revenues, because . . .

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● Of the Associated System's 1,434,000 customers, 1,189,000 are residential electric and gas users. The average annual use of electricity by residential customers increased 8.3% during 1931, and their use of gas maintained its previous level. This gain offset industrial losses to the extent that the System recorded a total increase of approximately 1% in gross operating revenues for all departments.

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THE BUSINESS WEEK
330 West 42d St.
New York City

The Figures of the Week And What They Mean

The slightly upward trend in the general index of business activity is due largely to the counter seasonal gains in steel activity and construction, while other important indices show a fair steadiness. . . . Ford motor expansion still supports steel, particularly in the Detroit and Cleveland districts. . . . Public works form the backbone of construction increases, as building for both residential and nonresidential purposes continues to sag. . . . Electric power production turned upward, but total carloadings reached a new low as coal shipments dropped off sharply. . . . Commercial loans are still declining. . . . April insolvency liabilities reached a new all time high.

STEEL activity continues to depend upon the motor industry, particularly upon Ford. According to *Iron Age,* activity expanded one point to 25% of capacity, which when adjusted for the usual seasonal trend, which is downward, brings the adjusted index to 36% of normal against 34% the preceding week.

Considerable variation in production schedules in steel centers continue to characterize the industry. Near Detroit, and including the Ford Steel plant, activity has reached a level of 81% of capacity, the highest in the country. On the other hand, Pittsburgh reports a 2-point decline to 18% of capacity, the lowest in many years. Cleveland plants raised their operating schedules from 26% to 38% of capacity.

Automobile Output

The Ford plan for attaining an output of 100,000 cars a month appears to be delayed until July, but progress is being made in expanding the daily schedule. Chevrolet is also counted upon to hold the steel industry around present levels during the summer. Its April sales exceeded production by 5,000 units. Sales of all makes for April based on returns from 22 states indicate a 17% gain compared with March for passenger cars, while truck sales appear to be running under March by 11%.

Other steel consumers are lying low. Hope that the national program for construction of self-liquidating enterprises may materialize stirs structural steel builders. If the Pennsylvania railroad is successful in securing funds from the Reconstruction Finance Corp., it will resume consideration of the electrification program which promises an outlet for 60,000 tons of steel.

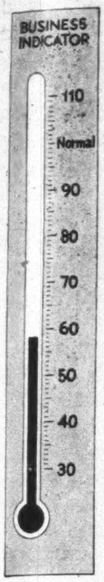
Pipe and Rail Orders

Pipe line inquiries have increased, but no large orders are looked for in the near future. Rail orders of cars and track supplies continue in small volume. The outlook for tin plate grows less rosy, as efforts to curtail canning production are vigorously going forward.

The price situation in steel deserves careful attention in this period of low and unprofitable production. So far finished steel appears to be holding fairly well, and the $2 a ton advance announced for sheet bars may be extended to cover billets and slabs. But raw materials are giving way to new

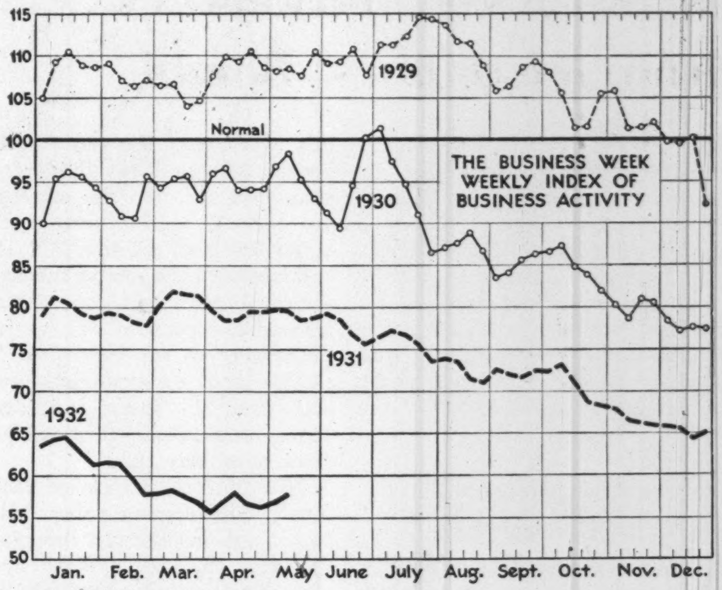
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*58.0	57.3	79.6	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	*25	*24	44	75
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,679	$4,544	$12,949	$20,792
Bituminous Coal (daily average, 1,000 tons)	*746	†786	1,119	1,377
Electric Power (millions K.W.H.)	1,437	1,429	1,654	1,587
TRADE				
Total Carloadings (daily average, 1,000 cars)	89	92	124	159
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	64	64	88	105
Check Payments (outside N. Y. City, millions)	$2,824	$3,590	$4,054	$5,367
Money in Circulation (daily average, millions)	$5,456	$5,465	$4,670	$4,680
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.52	$.51	$.73	$1.16
Cotton (middling, New York, lb.)	$.057	$.058	$.093	$.166
Iron and Steel (STEEL composite, ton)	$29.64	$29.68	$31.37	$34.88
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.054	$.087	$.132
All Commodities (Fisher's Index, 1926 = 100)	61.4	61.6	71.8	89.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,917	$1,864	$921	$1,133
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,140	$19,277	$22,778	$21,981
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,740	$6,779	$7,879	$8,619
Security Loans, Federal Reserve reporting member banks (millions)	$4,977	$5,063	$7,046	$7,108
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$414	$438	$1,631	$3,711
Stock Prices (average 100 stocks, Herald Tribune)	$79.32	$81.00	$121.21	$153.61
Bond Prices (Dow, Jones, average 40 bonds)	$72.25	$73.82	$95.67	$96.30
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.3%	4.7%
Interest Rates—Prime Commercial Paper (4-6 months)	3–3¼%	3¼–3½%	2¼%	4.2%
Business Failures (Dun, number)	662	601	516	478

***Preliminary** **†Revised**



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



lows in heavy melting steel and in pig iron.

Building construction in May offers some encouragement in turning upward in the first 2 weeks, although the usual trend of this month is downward. The gain again lies in the volume of public works and utilities, as occurred in April. Total awards already aggregate over $63 millions, so that the adjusted index for the week of May 13 stands at 25% of normal, the highest point since February. The daily average gain over April amounts to 12.3%.

Public Works and Utilities

Public works and utilities have been coming forth stronger than anticipated to bolster a sagging industry. Awards valued at $32.3 millions appeared in the first 12 business days of May against $47.2 millions for the entire month of April. On a daily average basis, this represents a gain of over 48% and falls only 38% below the volume of a year ago.

Residential contracts, worth $12.7 millions, are still shrinking. The daily average awards are now running 4% under April. Non-residential building contracts present the worst comparison with the preceding month, having only $17.9 millions, equal to a 14.6% decline from the daily average of April.

Bituminous coal production has given no sign of the upturn that ordinarily occurs toward the close of April. On the contrary, a gradual decline has taken place in the last 3 weeks which brings the adjusted index for the week ending May 7 to 40% of normal against 46% the preceding week. Stocks of bituminous coal in the hands of commercial consumers and retailers were nearly 5½ million tons smaller on Apr. 1 than on Jan. 1, as a result of consumption's outstripping production.

The rise in electric power production for the week ending May 14 follows the trend of recent years, but is more moderate. Hence the drop from a year ago has risen to 13%. The adjusted index remains unchanged at 72% of normal. The March analysis of power consumption reveals that domestic consumption has improved its gain over 1931 to 4% against gains of 2.8% in February and 2% in January. Large commercial users continued to reduce their power requirements which now stand over 14% below a year ago.

Carloadings Declined

Coal, grain, and miscellaneous freight accounted for the bulk of the decline in carloadings during the week ending May 7, bringing the total loadings to the lowest level of the year without excluding the holiday week of Feb. 27. The decline in the 2 groups upon which our index is based was small, leaving the adjusted figure unchanged at 55% of normal.

Bank debits for the week ending May 11 declined some 21% below the preceding week, but the greater gain of the preceding week held the adjusted index at 67% of normal. For the month of April, the cities outside of financial centers showed a gain of almost 5% compared with March. Ordinarily a decrease occurs in these months, but the past 2 depression years have shown trends counter to the usual movement.

Currency circulation based on the daily average volume for the week ending May 14 resumed the downward trend, but our adjusted index remains unchanged at 48% above normal.

Commercial loans in 102 large cities continue to decline. The latest report as of May 11 leaves the adjusted index unchanged at 7% above normal.

Business Failures

Insolvencies for April, while fewer in number than in March, continue well above the average for the month, and broke all records for any month as far as liabilities involved are concerned. The unprecedented indebtedness of more than $101 millions was composed of important failures since 62% of the total liabilities comprised failures with liabilities of $100,000 or more in each instance.

April commodity prices as reported by the U. S. Bureau of Labor Statistics on the basis of 784 commodities declined less than 1% from the March level, with the chief declines in farm, food, and leather and hide products. Petroleum products increased 14%. Omitting the food and farm products, other commodities showed no change from the preceding month.

In the past week, commodity prices continued their irregular trend. Weakness has characterized the non-ferrous metal markets, corn, cotton, cattle, hogs, silk, cocoa and hides. Rubber, coffee, sugar, and wheat have gained slightly in the past few days.

Trends of the Markets In Money, Stocks, Bonds

Federal Reserve decides to keep up buying of government securities. . . . New York member banks contract loans and investments. . . . Money in circulation increases. . . . Gold continues to leave country. . . . Stock prices drift lower in quiet trading. . . . Bond market weaker with all classes of issues on the downgrade. . . . Reactionary movement of carrier shares features security markets.

Reserve Continues Effort To Force Credit Out

THE decision of the Reserve banks to continue heavy open market purchases of governments, and further gold exports on a large scale were the most important developments in the money market this week.

Interior bankers, including officials of many of the Reserve banks, have been calling for a modification or even cessation of the security-buying policy. But the Federal Reserve Board, at a meeting this week with the governors of the 12 banks, decided to continue purchases of governments, "the extent and the amount to be determined from time to time as conditions justify."

Including $81 millions purchased this week, the Reserve banks have bought $726 millions in governments since Feb. 24. On the other side of the picture, indebtedness at Reserve banks has been reduced $370 millions and member bank reserve balances have increased $314 millions. This is a stupendous operation but a necessary preliminary to any expansion, first in member bank corporate bond holdings, and later, in loans and discounts. Money in circulation increased $18 millions as of May 18.

New York City member banks followed a deflationary policy this week, loans and investments dropping $69 millions. The latest available figure for all reporting member banks also indicate Reserve operations to date have completely failed to stimulate bank credit expansion. Banks are reluctant to increase their investments regardless of the volume of cash reserves they hold until the end of Washington uncertainties clears up the bond market status.

Foreign countries continued to withdraw gold. Exports totaled $43 millions, practically all going to Switzerland, Holland, France, and Belgium. The exchanges of these countries were still quoted at levels above the point at which it becomes profitable to keep on taking gold from New York. Withdrawals included some repatriation of funds invested in securities.

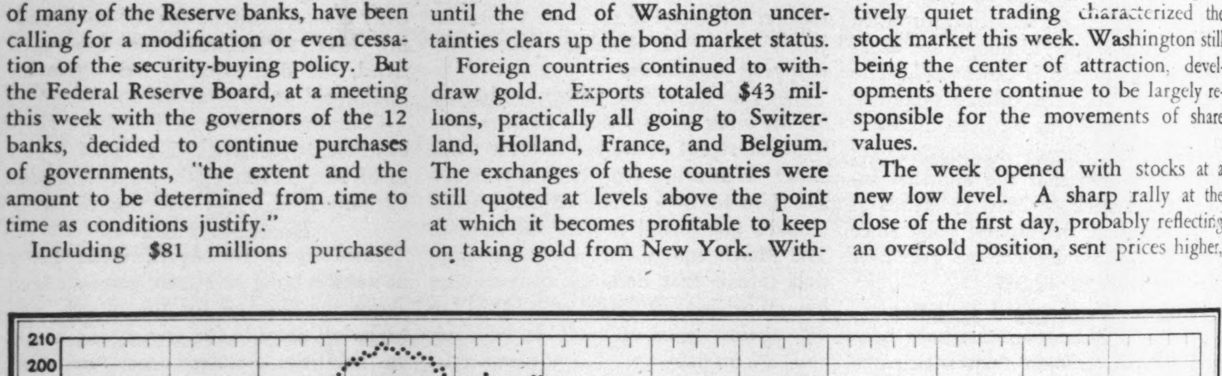
So far this month exports of gold (exclusive of metal withdrawn from earmark) totaled $125 millions, offset by a decline in earmarked gold of only about $8.6 millions. Exports are likely to continue as long as several gold currencies remain above the gold shipping point, but the Reserve banks have a margin of more than $1,000 millions in gold to meet foreign demands. The Bank of England purchased 2 millions of gold in the open market this week, the first big purchase since September.

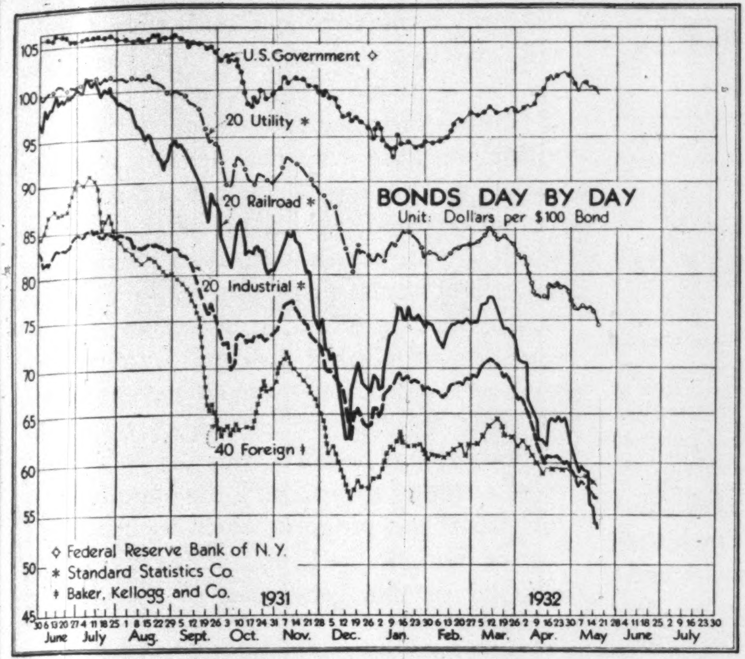
Time money was steady. Call rates at 2½% are likely to be reduced as a result of the deposit rate cut last week, thus driving some out-of-town bank money to the interior, where it is most needed. Bill rates were unchanged. Brokers' loans were down to $414 millions, a new low record.

Stock Prices Drift On Political Tides

AN aimless drift of prices in comparatively quiet trading characterized the stock market this week. Washington still being the center of attraction, developments there continue to be largely responsible for the movements of share values.

The week opened with stocks at a new low level. A sharp rally at the close of the first day, probably reflecting an oversold position, sent prices higher,





but was soon followed by another sinking spell.

Trade reports earlier in the week had a decidedly unfavorable tone. Among the adverse factors on the market were another sharp decline in carloadings, which affected the carrier issues, and a new low by the electric power output, compared with last year's production.

What bullish news came out later, seemed to be ignored and had little effect on prices. This included a further slight improvement in steel ingot production to 25% of capacity, against 24% for the preceding week, due essentially to the increasing activity in the automobile industry; a decline in the number of business defaults; declaration of the regular quarterly dividend by the American Telephone; also the ending of the New York strike in the building trades with the unions' acceptance of a wage cut. The Federal Reserve Board's decision to continue the policy of purchasing government securities in the open market likewise had no effect on the market.

Traders apparently are determined to wait until the uncertainties surrounding the tax program are out of the way.

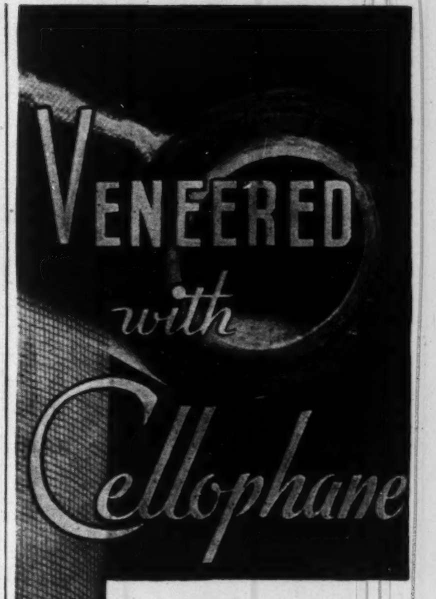
Rails Lead Bond Market Into New Low Ground

WITH continuing unfavorable reports from business, the bond market extended its decline further this week, carrying the general list into new low territory. Even the government issues, which until recently provided the only bulwark of strength, broke sharply on reports of increased agitation for government financing of construction projects to relieve unemployment. The response to the Federal Reserve's decision to push open market operations in buying government securities was faint.

Selling Pressure Evident

The most discouraging feature of the market was the action of the carrier list which, after taking the biggest drop in months the previous week-end, continued to lose altitude. Selling pressure was evident in the high-grade as well as the low-grade issues. At its present level, the railroad group is approximately 13% under the low point reached on April 13. The principal adverse factor affecting these issues has been the persistent decline in traffic, as revealed in the weekly carloading figures. Encouraging were the I.C.C.'s long-awaited approval of a $27,500,000 construction loan to the Pennsylvania, a $25,000,000 loan to the B. & O.—largest rail-aid projects authorized to date.

The industrial and utility sections of the market also dipped into new low ground, but their downward movement was comparatively moderate and it encountered some resistance. The foreign government bond group displayed an irregular course with a slight tendency downward. Featuring this list was the strength of the British issues.



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THE BUSINESS WEEK
The Journal of Business News and Interpretation

May 25, 1932

Paying Proposition

WE spoke last week of one kind of confidence sadly lacking and sorely needed in this stage of our difficulties—confidence of us Americans in each other, in our government, and in the people and the governments of other nations. A slow and heart-breaking task it is to rebuild, once broken, this sort of faith, upon which the stability of business and of all other social and economic institutions is based, because we begin to understand its value only when the value of all other things has depreciated.

The difficulty in our case goes deeper. In truth we as a people have never had much of this sort of social cement in our make-up; we have been too busy building other things or merely making money, and we are still too young, too individualistic, too self-reliant to have learned the strength of unity. And also, at the moment, we are too disillusioned about each other. The seamy side of human nature, and especially of American human nature, has been painfully exposed by the depression. Too many of the reckless, selfish, or even sordid aspects of business and financial and official conduct have been brought to the surface by the economic upheaval.

We begin to realize, as one after another mechanical remedy for our troubles is tried, that something in the nature of a moral regeneration may also be necessary for recovery of our material prosperity. It is a curious fact that every serious depression in our history has been accompanied by a similar instinct, expressing itself in spontaneous manifestations of moral or religious revival. All economic events have their psychological or spiritual sources. This is essentially what we mean when we say that our main difficulty now is that our morale is broken, and that our main problem is to restore confidence and courage.

Hard as it is, we must make a beginning. Fortunately there is one kind of confidence that we can easily recover without much effort and that will serve as a support in our progress toward the rest. It requires only a simple recognition of familiar facts that face us on every hand but which we have forgotten in our individual anxieties. This is confidence in our country, in the unsurpassed wealth of natural resources which it possesses, in its amazing equipment of power and wealth producing machinery, in the security of its position, in the technical knowledge and managerial skill of its active, ambitious and industrious population, and, yes, in its latent credit resources, too. Never, indeed, in history, and nowhere today in the world is there anything approaching the opportunity for prosperity and progress which the mere privilege of living in the United States has put at the disposal of this generation of the American people.

Considering these things apart from his immediate personal perplexities, any intelligent American must be astonished if not somewhat ashamed at his own and others' infantile anxiety and failure of faith in the future. The people of most other countries are facing their misfortunes without the misgivings that some of them may well have about their future, while we, with nothing to fear as a nation, are giving an unparalleled exhibition of blue funk.

This is the more surprising because in this country above all we have been led to believe that all the arts of suggestion and salesmanship and all the advertising devices for breaking down buyer resistance have been developed to the highest degree. Evidently the greatest work of statesmanship, the ultimate task of advertising technique that still remains to be done before recovery can begin is to sell the United States to the American people.

That is something it will really pay somebody to advertise.

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